standing out

Cement Manufacturing Company Limited
Annual Report 13-14

Contents

The year 2013-14 was one of the most challenging periods for the Indian economy.

Consumer sentiment was weak. Industrial production declined to its lowest in decades. Award of new infrastructure projects came to a near standstill.

At CMCL, we utilized this opportunity to expand capacity, optimize asset utilization, reduce costs, invest in our brand, enter newer markets, focus on retail offtake and create a stronger enterprise.

The result is that even in a challenging year, when the Indian cement industry grew 0.4%, CMCL strengthened revenues by 73%.

Cement Manufacturing Company Limited

The largest cement manufacturing company in North-East India.

One of the most competitive cement manufacturers in North-East India.

One of the fastest growing cement brands in Eastern India.

Vision

Continue to remain the best cement corporation in Eastern India with growth in allied areas.

Mission

To provide utmost satisfaction to the consumer through quality products and superior service

To continuously upgrade the product through innovations and convergence of new technology and to produce the best quality at the lowest costs

To safeguard and enhance shareholder value

To respect the dignity of all employees and be instrumental to the development of the country, while protecting the environment

To utilise surpluses for the welfare of employees and the society at large

Who we are

Established in 2001, Cement Manufacturing Company Limited is the largest cement manufacturer in North-East India with a cumulative capacity of 2.80 MTPA.

Headed by Mr. Sajjan Bhajanka, Mr. Sanjay Agarwal, Mr. Rajendra Chamaria and Mr. Brij Bhushan Agarwal and supported by a team of experienced professionals.

Our brand

CMCL's 'Star Cement' brand is among the largest and most preferred cement brands in North-East India. A wide network of 1253 dealers makes it possible for the Company to capture 23% of the area's market share – the highest among peers. The Company's institutional customers comprise reputed national players like Oil India Limited, Larsen & Toubro, National Thermal Power Corporation Limited and DGS&D, among others. CMCL markets clinker and cement to a number of grinding units in India, Nepal and Bhutan.

Quality and recognition

The Company is ISO 9001:2008, ISO 14001:2004 and OHSAS 18001-certified. CMCL was also recognised by the Meghalaya State Government for pioneering efforts in establishing a cement plant in the challenging geography of Lumshnong in 2005.

Where we are located

The Company's registered office is located at Lumshnong (Meghalaya) and corporate office in Kolkata (West Bengal)

The Company's manufacturing units are located in Lumshnong (Meghalaya) and Guwahati (Assam)

The Company has four marketing offices and 1,253 dealers in North-East India and West Bengal

- **Manufacturing units -** Lumshnong (Meghalaya) & Guwahati (Assam)

  Registered office - Lumshnong (Meghalaya)
- **Corporate units -** Kolkata (West Bengal)

What we make

CMCL produces OPC cement and the value-added PPC cement.

- Portland Pozzolana Cement (PPC)
- Ordinary Portland Cement (OPC 43-Grade)

Product	% share of total revenue, 2013-14
PPC	89
OPC	11

Competitive drivers

Market domination

The Company is the largest cement manufacturer in North-East India with a 23% market share.

Locational advantage

Proximity to limestone and coal mines in the Lumshnong district (Meghalaya). This helps save logistics costs and ensures uninterrupted production.

Extensive integration

The Company is integrated backwards through owning limestone mines in Meghalaya. Besides, the Company established a 51 MW captive power plant (through subsidiary Meghalaya Power Limited) to address its internal energy requirements.

Balance Sheet

The Company's strong Balance Sheet comprises a debt-equity ratio of less than 1.0 (31st March, 2014).

Gross revenue
(₹ in lacs)

11-12	62,543.34
12-13	59,739.18
13-14	102,798.75

Cash profit
(₹ in lacs)

11-12	12,967.31
12-13	9,682.73
13-14	15,480.47

EBIDTA
(₹ in lacs)

11-12	14,548.29
12-13	12,047.69
13-14	23,650.50

EBIDTA margin
(%)

11-12	26
12-13	20
13-14	23

Quality excellence

CMCL is certified with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001, translating into operational consistency and trust.

Brand-enhancing clients

The Company's key institutional customers comprise Oil India Limited, Larsen & Toubro, National Thermal Power Corporation Limited and DGS&D.

Proactive capacity creation and utilization

(at consolidated level through subsidiaries)

Capacity expansion from one MTPA in 2008-09 to 2.80 MTPA in 2013-14 has empowered CMCL to catalyse regional development and extend its presence from North-East to Eastern India. The plants operated at 58% capacity utilization in 2013-14, one of the highest in the region.

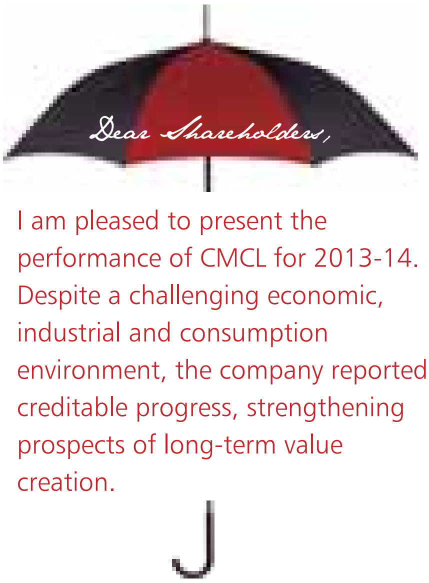
Deep distribution network

The Company's 1,253-dealer network is one of the most expansive dealerships in the North-East, ensuring deep and wide penetration.

Capacity expansion

Product	Outcome	Year of commencement
Commenced production at the Guwahati grinding unit; capacity of 1.6 MTPA	60% capacity achieved in 2013-14	2013
Initiated production at the clinkerization unit, through subsidiary, at Lumshnong; capacity of 1.75 MTPA	63% capacity achieved in 2013-14	2013

From the
Chairman's desk



I am pleased to present the performance of CMCL for 2013-14. Despite a challenging economic, industrial and consumption environment, the company reported creditable progress, strengthening prospects of long-term value creation.

The highlights of our performance are encapsulated below.

Revenues increased by 73% from ₹59,497.13 lacs in 2012-13 to ₹102,798.75 lacs

EBIDTA increased by 96% from ₹12,047.69 lacs in 2012-13 to ₹23,650.50 lacs

Cash profit increased by 60% from ₹9,682.73 lacs in 2012-13 to ₹15,480.47 lacs

The principal corporate highlight of the year under review was the successful ramp-up of our newly commissioned Guwahati plant and clinker unit (through a subsidiary). The plant commenced operations in January 2013, enhancing our aggregate cement-cum-clinker capacity to 3.20 MTPA, the largest in North-East India.

Apart from the economic slowdown resulting in deceleration in project development, a key challenge across the first nine months of FY14 comprised issues in stabilizing our new plant, which reported rated utilization in March 2014. During 2013-14, the first full year of operations of the new plant, the company reported a subdued performance in the first half of the year, which subsequently improved in the second half resulting in increased capacity utilisation.

The big picture

CMCL is attractively placed to capitalize on the excess of cement demand over supply in North-East India and the corresponding increase in its production capacity to address this reality. A combination of factors helped the company report a contrarian performance:

Timely increase in capacity utilization, making it possible to market with speed without discounts.

Growing focus on retail and institutional sales, a segment which recorded a 42% growth over the previous fiscal; besides, institutional sales as a proportion of offtake also increased from 12% to 19% despite the economic slowdown.

Expanded our footprint beyond North-Eastern India to Northern Bengal and Bihar, the latter regions providing us with an opportunity to market 3.70 lac MT, translating into revenues of ₹224 crore in 2013-14, supported by comprehensive branding and visibility

73%

increase in revenue over the previous year

Though realisations per tonne remained flat during the year under review in others parts of the country due to low demand, it was up by nearly 3% over the previous year in the North-East. With demand progressively moving up, we expect realisations to improve over the coming months.

Optimism

With the formation of a stable government at the Centre, we expect the economic scenario to improve. An improvement is already evident in the IIP figures of April and May 2014, recording a growth of 3.4% and 4.7% year-on-year. The government has already emphasised growth of the road sector resulting in increased cement offtake. Moreover, it also expects to mobilize rupees one lakh crore in a year to kickstart the sector's turnaround.

CMCL is the largest cement player in India's North-East with a market share in excess of 23%. The Guwahati plant will help the company consolidate its market position; the plant enjoys excise and sales tax benefits and transport subsidies. Besides, North-East cement demand is expected to outperform the national average, making it possible to generate an attractive plant payback.

Besides, the payback of this new plant is expected to be catalysed by an improving economic sentiment and large projects (infrastructure and real estate) being proposed in the North-East. CMCL is attractively positioned to capitalise on the projected upturn with adequate capacity, quality and reach.

As a forward-looking company, CMCL secured its raw material resources through the acquisition of a new limestone mine in Meghalaya to cater to its requirements for several years into the future. Besides, power is being generated by a 51 MW CPP in Meghalaya, enhancing availability and moderating costs. Going ahead, CMCL intends to commission a grinding facility in West Bengal by 2017.

I am happy to assure shareholders that these expansion plans will not compromise the integrity of our Balance Sheet's gearing (1.03 as on 31st March, 2014), resulting in prospects of sustainable growth.

Message to Shareholders

CMCL possesses a cumulative (cement and clinker) capacity of 3.20 MTPA and expects to report better realizations in 2014-15. Going ahead, it expects to make progressive investments to emerge as a 10 MTPA enterprise by 2020.

I am thankful to our stakeholders for reposing their faith in us and will continue to drive long-term value in the hands of all those who own us, work with us and are a part of us.

With my very best regards,

Sajjan Bhajanka
Chairman & Managing Director

Opportunities in East India

Per capita cement consumption at 11 kg is among the lowest, compared with the national average of 185 kg per year.

Of the total housing shortage in India, Eastern India alone accounts for 25% of the national deficit.

Demand for cement is expected to grow in high single digits in East India.

The key markets of West Bengal and Bihar account for an urban housing shortage of 2.52 million units.

Business model

At CMCL, our aim is to create a business model ring-fenced with long-term sustainability. During the last decade, our endeavour was to navigate our business through industry upturns and down-cycles. The success of this is evident in our numbers: we have been able to grow revenues at a 62% CAGR over the five years leading to 2013-14 and EBIDTA at 83% CAGR during the same period.

01 Strategic location

Location plays an important role in the cement business due to the bulky nature of the raw material. The Company invested in a clinkerisation plant within three kilometers of its raw material (limestone) source. It also commissioned a grinding unit which addresses the cement requirements of the region. The Company's North-East presence also provides it with fiscal benefits and transport subsidies.

02 Branding

Effective branding ensures top-of-the-mind recall among consumers. CMCL strongly promotes the Star Cement brand across a variety of media. Over the last five years, it invested around ₹48 crore in brand-building. The result: despite increasing competition, the Company was able to hold on to its pole position with a market share of 23%.

1
Envisaged investment (USD trillion) in India's infrastructure sector during the 12th Plan

16
New ports to be awarded (according to the Union Budget 2014-15)

150,000
Shortage of hotel rooms in India

404
Expected Indian urban population addition (million) by 2050

03
Backward integration

Raw material security is key to long-term sustainability. CMCL invested in backward integration through the acquisition of a limestone mine and the establishment of a 51 MW captive power plant. The mine's limestone reserves are expected to suffice raw material requirements for several years into the future. On the other hand, the power plant has helped moderate power costs as compared to its purchase from the state grid.

04
Financial discipline

CMCL's business is sustained through consistent investments. The Company's gearing of 1.03 (as on 31st March, 2014) represents the right balance between its ability to drive growth on the one hand and enhance shareholder returns on the other.

05
Tangible results of our business model

Tangible results of our business model As an extension of this long-term philosophy, the Company's revenues and EBIDTA have been progressively growing: revenues grew from ₹506.12 crore in 2009-10 to ₹1,027.99 crore in 2013-14 and EBIDTA from ₹159.50 crore in 2009-10 to ₹236.50 crore in 2013-14.

18.78

Urban housing shortage (million units)

8,500

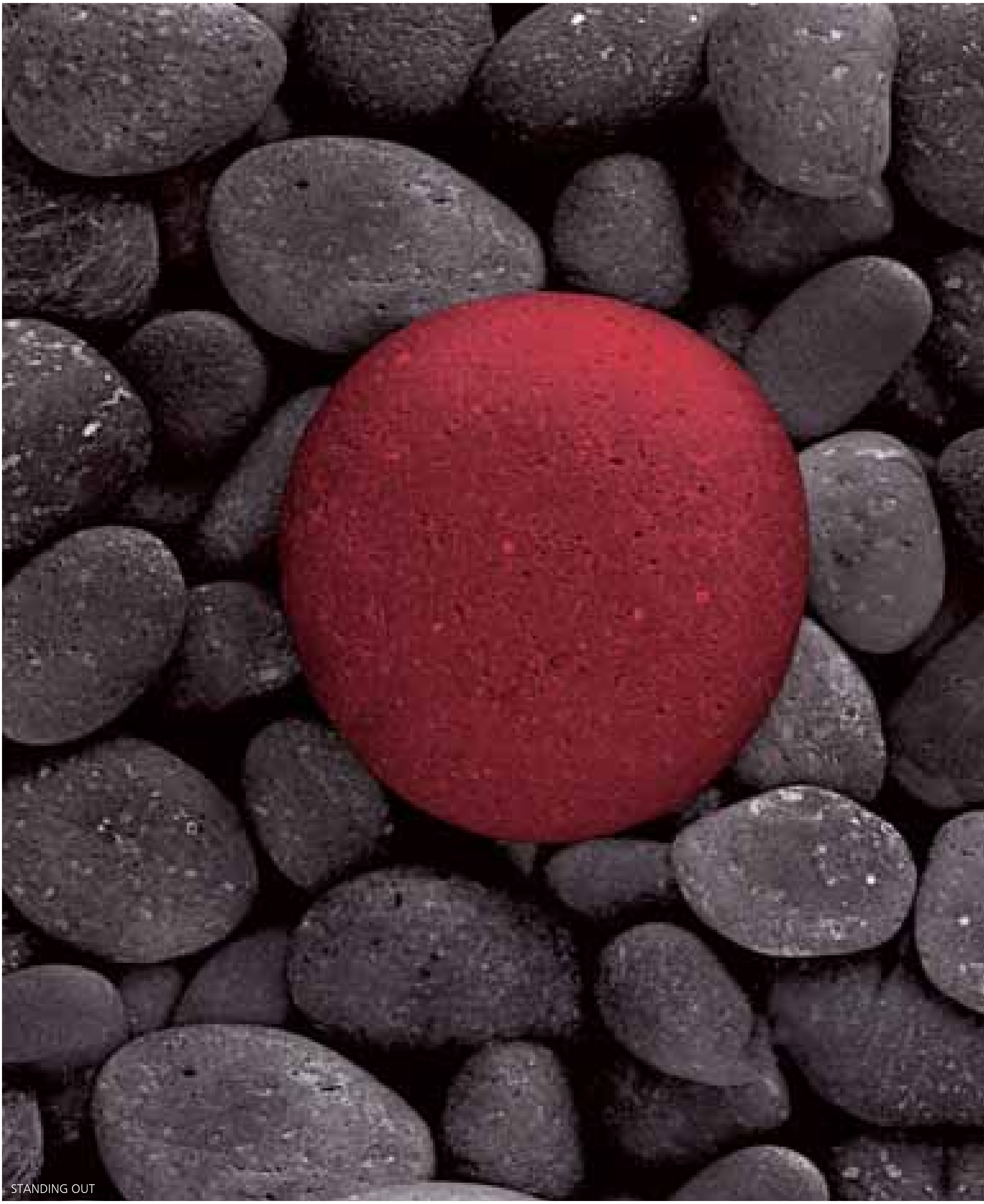
National highway construction (km) projected for 2014-15

169.5

Allocated investments (USD million) for rail projects in the North-East in the Union Budget 2014-15

500

Allocated investments (USD million) for road projects in the North-East


STANDING OUT

ENHANCING CAPACITIES DURING A SLOWDOWN

CMCL identified the slowdown to build capacities and enhance asset utilisation.

During 2013-14, the Company's 1.6 MTPA grinding unit at Guwahati commenced operations, achieving optimum capacity utilisation during the last quarter of the financial year under report.

Being present in the North-East, the unit enjoys fiscal benefits comprising income tax exemptions, excise duty exemptions, VAT benefits, transport subsidies and capital investment subsidies.

The plant is strategically positioned to meet the demands of the North-Eastern markets as well as cater to the growing markets of Bengal and Bihar. The Assam market accounted for nearly 48% of its 2013-14 sales.

The Guwahati plant receives clinker from the clinkerisation unit in Meghalaya, only about 250 km away and fly ash from West Bengal, Bihar and Jharkhand.

The result: The Assam plant accounted for 58% of the Company's revenues in 2013-14 and going ahead, it is expected to contribute revenues of ₹590 crore based on full capacity utilisation for an entire year in 2014-15.

The Assam plant is expected to contribute revenues of ₹590 crore based on full capacity utilisation for an entire year in 2014-15.

STANDING OUT

TURNING A COMMODITY INTO A BRAND

CMCL transformed a commodity into a prominent brand in a competitive marketplace.

CMCL's Star Cement brand is among the first local brands to establish a presence in the North-East.

The Company invested in brand promotion like Out Of Home, road shows, television and print advertisements and mason and architect education programmes.

The Company launched attractive brand promotion schemes for dealers and sales partners as well.

It also initiated unique schemes like mobile vans to provide technical onsite support and customer education programmes through SMS services.

The Company established strong marketing and distribution infrastructure in West Bengal and Bihar to enhance visibility.

The result: Despite growing competition, Star Cement established itself as a leading North-Eastern brand with a market share of 23%.

Star Cement established itself as a leading North-Eastern brand with a market share of 23%.

Management discussion and analysis

Indian economy

The Indian economy grew by 4.7% in 2013-14, compared with the 4.5% growth achieved in 2012-13. The manufacturing sector, which is the biggest constituent of Indian Inc., shrank by 0.7% in 2013-14, against a 1.1% growth in the previous financial year. Fiscal deficit stood at 4.5% of the GDP during 2013-14.

Indian cement industry

The Indian cement industry is the second largest producer of the resource in the world. Currently, India has 185 large cement plants spread across most states. Andhra Pradesh is the leading state with 37 large cement plants, followed by Rajasthan and Tamil Nadu with 21 and 19 plants, respectively.

The Indian cement sector is expected to witness positive growth over the coming years with demand set to increase at an 8% CAGR during 2013-16. Domestic cement consumption is expected to increase at a 10.2% CAGR during FY11-17 to reach 398 million tonnes.

Cement production in India increased at a 9.7% CAGR to 272 million tonnes over FY 06-13. As per the 12th Five Year Plan, production is expected to reach 407 million tonnes by FY17.

Union Budget 2014-15 – focus on the cement industry

Outlays under various schemes (housing, irrigation, urban infrastructure, roads and highways) at ₹674 billion with a substantial increase in most segments.

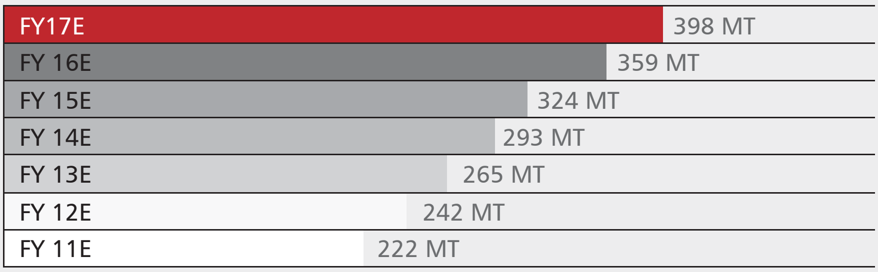
Clean energy cess on coal (domestic and imported) increased from ₹50 per tonne to ₹100 per tonne.

Budget 2014-15 has allocated USD 169.5 million towards railway projects and USD 500 million for roads across the region. A sum of USD 395 million was disbursed to the Ministry of Development, North-East India.

Impact

Government outlays across cement-intensive segments increased by 33% in 2014-15. It is expected that this could boost annual cement consumption by 0.5-1.5%. Steps have been taken to improve access to finance for infrastructure projects which could yield higher offtake. However, a clean energy cess and rise in basic customs duty on coal could increase power and fuel

Domestic consumption
CAGR 10.2%



costs for the sector by about 100 bps from the current 20-22% of the overall revenues *(Source: CRISIL).*

Demand drivers

Housing growth

Urbanisation is expected to increase from 410 million in 2013-14 to 814 million by 2050, driving cement demand.

The real estate market is expected to reach USD 180 billion by 2020, catalysed by construction activity in rural and semi-urban areas as a result of large infrastructure and housing development projects.

A sum of ₹4,000 crore has been allotted to the National Housing Board to increase the flow of cheaper credit for affordable housing to the urban poor/ EWS/ LIG segments. A low-cost housing mission is expected to be initiated.

Extended additional tax incentive on home loans to encourage people, especially the youth to own houses.

Tax breaks are likely to improve affordability. The proposed development of smart cities could enhance real restate opportunities. Besides, liberalising FDI norms could improve the flow of funds for developers.

A tax-efficient REIT structure is likely to improve fund flows for real estate developers.

Infrastructure growth

The government is strongly focused on infrastructural development to boost economic growth. As a means to this end, it has planned investments of USD one trillion in infrastructure during the 12th Five Year Plan period (2012-17), compared with USD 514 billion under the 11th Five Year Plan period (2007-12).

Infrastructure projects such as dedicated freight corridors as well as new and upgraded airports and ports are expected to further drive construction activity.

The government intends to expand capacity of the railways and set up facilities for handling and storage of cement.

The government's budgetary allocation of nearly ₹674 billion is expected to catalyse growth across the sector.

Commercial real estate

The demand for commercial real estate (retail space, office space, hotels, hospitals, multiplexes and schools) is on the rise.

The demand for office space is driven by an increasing number of multinational companies setting up shop in India and the palpable growth in the services sector.

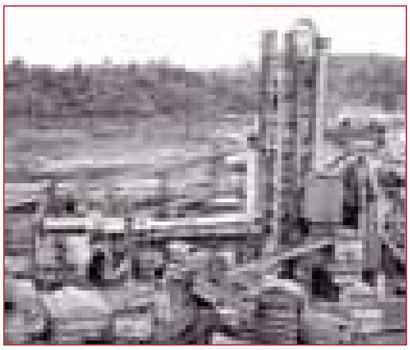
Strong growth registered by the tourism industry has increased the number of hotels being constructed across the country.

Outlook

The Indian cement industry is globally-competitive, marked by effective cost control, cutting-edge technology, timely delivery, strong relationships and operational transparency (credit and commercial terms). Since large institutional and ready mix cement buyers prefer OPC, in-house blending entails a more cost-effective option.

Production
CAGR 10.0%

FY17E	407 MT
FY 16E	368 MT
FY 15E	332 MT
FY 14E	300 MT
FY 13E	272 MT
FY 12	247 MT
FY 11	229 MT
FY 10	207 MT



India's cement industry needs to nearly double its manufacturing capacity by 2025, according to Cement Vision 2025: Scaling New Heights, a document released by the Confederation of Indian Industry. The report highlights that an additional capacity of 330-380 MT of cement and 240-270 MT of clinker could be needed by then, translating into an investment of nearly ₹300,000 crore.

North-East India opportunity

India's North-Eastern region (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura) comprises a population of over 39 million, spread across 0.262 million sq. km (~8% of the country's land area and home to ~4% of the country's population).

Private investment seeks to harness the economic potential of the North-East. Unlike other parts of India where land, coasts, rivers and forests have been exploited, the North-East is abundant with natural resources. Almost 37% of the country's rivers, 20% of the hydrocarbons (oil and gas), large quantities of low ash coal resources, limestone and dolomite deposits, among others, are located in the country's North-East.

The North-East Industrial and Investment Promotion Policy 2007 (NEIIPP), a 2007-17 federal government initiative, transformed the entire North-East into a special economic zone. This has resulted in major incentives (mostly over a 10-year period) for new investments and for the expansion of existing investments. These incentives include 100% tax exemption, 100% duty exemption, capital subsidies of up to 30%, interest rate caps on loans, insurance reimbursements (major incentive) and special incentives for the services, biotechnology and power generation sectors.

The region's proximity to China and South East Asia is elaborated in the flagship North-Eastern Region Vision 2020 (NEV 2020) policy document drafted by the Ministry of Development of North-Eastern Region. NEV 2020

330-380MT

of additional cement capacity

The North-East is abundant with natural resources. Almost 37% of the country's rivers, 20% of the hydrocarbons (oil and gas), large quantities of low ash coal resources, limestone and dolomite deposits,

posits that investments will create opportunities, opportunities will create jobs and jobs will result in regional peace.

The National Highway Development Programme, NHDP-II proposes to link the East-West corridor beginning at Porbandar to the North-East through a 678 km-long four-lane highway connecting Silchar to Srirampur via Lumding-Daboka-Nagaon-Guwahati. The government has also approved NHDP-III to upgrade 12,109 km of national highways on a BOT basis, which takes into account high-density traffic, connectivity of state capitals via NHDP Phase-I and II and connectivity to centres of economic importance.

The regional demand outlook appears favourable on account of rising housing demand. Markets are expected to remain well-supplied with large cement players leveraging economies-of-scale while small players are expected to yield ground.

North-East cement sector

Cement demand in North-East India was estimated at about 5.2 MPTA in 2013 with a shortage of around 2.2 MPTA, indicating an attractive opportunity. On the supply side, cement manufactured locally proved inadequate to address local demand and hence the deficit was addressed through purchases from other parts of India.

5.2MTPA

of cement demand in North-East India in 2013

Markets are expected to remain well-supplied with large cement players leveraging economies-of-scale while small players are expected to yield ground

01 Business enablers
Operations

Overview

CMCL is the largest cement manufacturing player in India's North-East region with a grinding and clinkerisation unit in Lumshnong (Meghalaya) and grinding unit in Guwahati (Assam). CMCL possesses a grinding capacity of 2.19 MTPA with another 0.67 MTPA capacity (through a subsidiary).

Being present in the North-East, the Lumshnong unit enjoys the following benefits:

Income tax exemption under section 80 IC of the Income Tax Act for 10 years.

Excise duty exemption for 10 years (75%).

The Company's Guwahati plant enjoys the following benefits:

Income tax exemption under section 80IE of the Income Tax Act for 10 years.

Excise duty exemption for 10 years.

VAT benefit (99% exemption) for seven years subject to maximum of 200% of investments in plant and machinery.

Transport subsidy (within NER – 50% and outside NER – 90%) for five years.

Capital investment subsidy of 30% of the investments in plant and machinery.

Both the manufacturing units are proximate to raw material resources (limestone, fly ash and coal) and easily accessible (rail and road).

Highlights, 2013-14

Production increased from 10,67,465 MT in 2012-13 to 16,64,037 MT.

Sales increase from 10,65,097 MT in 2012-13 to 16,31,047 MT.

Stabilised the Guwahati plant with a capacity utilisation of 60% and clinkerization unit with a capacity utilization of up to 63% (through subsidiary).

Around 89% of the overall production comprised the superior PPC cement variety.

Increased market share from 18% to 23% in the North-East.

Road ahead

Going ahead, the Company expects to establish an additional grinding unit in West Bengal to capture a slice of the fast-growing market.

23%

Market share in North-East India

Management **discussion and analysis**

02 Business enablers Marketing

Overview

Effective marketing plays an important role in ensuring steady cement offtake. The company's 80-member marketing team was responsible for creating a holistic media campaign comprising TVCs, print ads, outdoor media and radio.

As institutional projects slowed, CMCL strengthened its retail focus, which contributed nearly 81% of revenues in 2013-14. During the year under review, the Company commenced marketing activities in West Bengal and Bihar to capture markets in these two states, which possess a cumulative annual demand of nearly 12 MTPA.

Highlights, 2013-14

Increased average realisation by 3% as compared to 2012-13.

Increased branding efficiency supported by a higher promotional expenditure of ₹22 crore in 2013-14, an increase from ₹8 crore in 2012-13.

Increased workforce across the marketing and branding teams from 25 in 2012-13 to 80.

Started advertising through hoardings.

Widened the distribution network from 700 to 800 dealers; increased retailers from 800 to 4,000 in 2013-14 across the North-East, West Bengal and Bihar.

Commenced cross-branding; initiated a 360-degree advertising campaign (radio and television).

Forayed into West Bengal and Bihar.

Road ahead

CMCL intends to deepen its presence in rural markets through enhanced marketing and promotions.

3%

Increase in average realisation over the previous year

Risk Management

01 Industry risks

A SLOWDOWN IN THE INDUSTRY COULD IMPACT OFFTAKE

Risk mitigation

The Company is largely present in the North-Eastern part of the country. The North-East outperformed the national cement industry growth significantly.

North-Eastern India is the subject of increased government focus with at least 10% of the Budget of the Central Ministries channelised towards the development of the region.

The Company also forayed into West Bengal and Bihar, which has an annual demand of 12 MTPA.

02 Marketing risks

INEFFICIENT MARKETING ACTIVITIES COULD LEAD TO SLOW OFFTAKE

Risk mitigation

The Company enjoys the largest cement market share of around 23% in the North-East.

The Company invested around 2% of its annual revenues in advertisements and promotions to ensure top-of-the-mind recall.

The Company invested in promotions in West Bengal and Bihar to enhance visibility of the Star Cement brand.

The Company undertook brand promotion exercises (outdoor advertising, road shows, TVCs, print ads and mason and architect education programmes, among others).

The Company commenced distribution through a direct network (dealers rather than C&F agents), widening regional reach.

03 Location risks

DISTANT LOCATIONS COULD AFFECT BUSINESS SUSTAINABILITY

Risk mitigation

The Company's clinkerisation unit is located in Meghalaya, within 3 km from the limestone mines owned by the Company.

The Company's Meghalaya and Assam units enjoy a number of fiscal benefits and transport subsidies.

The units are located proximate to the growing markets of Bihar and West Bengal.

04 Competition risks

INCREASED COMPETITION COULD AFFECT PROFITABILITY

Risk mitigation

The Company enjoys strong brand recall resulting in a leading market share of 23% in the North-East region.

The Company has significantly invested in promotional activities and dealer. incentive schemes to stay ahead of competition.

The Company's captive power plant as well as limestone mines helps it strengthen cost-competitiveness.

The Company has created a robust network of 1,253 dealers to create a deeper reach in its areas of presence.

05 Raw material risks

INADEQUATE AND UNTIMELY RAW MATERIAL SUPPLY COULD IMPACT OPERATIONS

Risk mitigation

The Company's clinker plant is located within 3 km from its limestone mines and 20-30 km from coal pits.

Power, which is a key raw material for cement manufacturing, is sourced through power plants owned by a subsidiary company.

The Company sources fly ash from Farakka and Siuri in West Bengal and from Khalegoan in Bihar.

06 Finance risks

IMPROPER FINANCING STRATEGY COULD DENT LONG-TERM PROSPECTS

Risk mitigation

The Company has a strong Balance Sheet, which is moderately leveraged.

Its gearing stood at 1.03 (as on 31st March, 2014).

Corporate Information

BOARD OF DIRECTORS

Sajjan Bhajanka	*Chairman & Managing Director*
Rajendra Chamaria	*Vice Chairman & Managing Director*
Brij Bhushan Agarwal	*Vice Chairman & Director*
Sanjay Agarwal	*Joint Managing Director*
Prem Kumar Bhajanka	*Director*
Pankaj Kejriwal	*Director*
Mangi Lal Jain	*Director*
Clara Suja	*Director*

AUDITORS

Kailash B. Goel & Co.
Chartered Accountants
70, Ganesh Chandra Avenue, 1st Floor,
Kolkata – 700013

COMPANY SECRETARY

Manoj Agarwal

BANKERS AND FINANCIAL INSTITUTIONS

Allahabad Bank
Bank of Baroda
Corporation Bank
State Bank of India
Union Bank of India

REGISTERED OFFICE

Vill: Lumshnong, P.O. Khaliehriat,
Dist: East Jaintia Hills,
Meghalaya – 793210

Lumshnong Plant

Vill: Lumshnong, P.O. Khaliehriat,
Dist: East Jaintia Hills,
Meghalaya – 793210

Sonapur Plant

Gopinath Bordoloi Road,
VIll: Chamta Pathar,
P.O. Sonapur,
Kamrup Assam,
Pin: 782402

Corporate Office

'Satyam Towers', 1st Floor,
Unit No. 9B,
3, Alipore Road,
Kolkata-700027

Guwahati Office

Mayur Garden, 2nd Floor,
Opp. Rajiv Bhawan,
G.S.Road, Guwahati – 781005

Delhi Office

281, Deepali,
Pitampura, New Delhi - 110034

REGISTRARS & SHARE TRANSFER AGENTS

Maheswari Datamatics Pvt. Ltd.
6, Mango Lane, 2nd Floor, Kolkata - 700001

CORPORATE IDENTITY NUMBER (CIN)

U26942ML2001PLC006663

Statutory Section

Directors' report

Dear Members,

2013-14 – CHALLENGES - A JOURNEY IN RETROSPECT AND OUTLOOK

Indian Economic Environment and Global conditions

The global growth outlook has largely remained unchanged during the year 2013. Growth is likely to be in the region of 3.5 per cent in 2014, about half a percentage point higher than in 2013. The expansion is expected to be led by advanced economies, especially the US. Accommodative monetary policy and reforms in the aftermath of the global financial and the euro zone crises have slowly started bearing fruit in advanced economies. After a soft patch at the start of the year 2013, US economic activity is expected to pick up during 2014 on the back of strong corporate financials, favorable financing conditions, smaller fiscal drag and strong price competitiveness. Moreover, after prolonged recession, the euro zone area is expected to contribute positively to global growth in 2014.

Emerging Markets and developing economies, however, had to face inflationary pressures, though actions in tightening monetary policy and slack in output are expected to generate some disinflationary momentum. These economies also face new risks on account of more tightened monetary policies. Although, growth picked up in these markets, momentum looked weak as compared to advanced economies.

On the back of above, India's GDP growth for 2013-14 is expected at 4.6 per cent, close to the decade-low growth of 4.5 per cent clocked in 2012-13. However, GDP growth for 2014-15 is expected to hover around little above 5%. Consumer price inflation still remains an important challenge, and is expected to trend down. Further tightening of the monetary stance might be needed for a durable reduction in inflation and inflation expectations.

Mining and Infrastructure Sectors performed better in recent past. Key Indicators suggest that Manufacturing Sector continues to be an area of concern with the sector, registering a decline of 3.7 per cent in February 2014, against stagnant production in January. Recent IIP estimates also suggest revival may turn out to be a protracted process. The sector's dismal performance has been driven largely by the fall in domestic demand. Private final consumption expenditure grew by 2.5 per cent in 2013-14, as against 9.6 per cent 2011-12 implying that domestic-demand-driven industries are seeing sustained weakness.

However, business sentiments are expected to revive with formation of "stable government" and normal monsoon and country is expected to perform better in time to come on economic front in general and on industrial front in particular.

Indian Cement Industry

On the backdrop of continued recessionary conditions prevailing in Indian economy, Indian Cement Industry has witnessed flat growth during the fiscal 2013-14 which has been largely on account of adverse macro environment prevailing almost through the year. Slowdown in infrastructure sector and prolonged monsoon added further woos for the industry. Lower than expected growth in consumption pattern of cement was mainly on account of higher lending rates in housing sector, a virtual halt in government spending on infrastructure sector as also higher borrowing cost in commercial segment.

The recent years witnessed huge capacity addition in cement industry. Lower than expected growth in demand on account of reasons mentioned above, has resulted into lower capacity utilization. Lower capacity utilization has resulted into pressure on absorption of fixed costs, on the other hand, inflationary conditions have resulted into higher variable cost in form of increase in freight, power and raw material costs. All factors taken together have resulted into contraction in margins and bottom lines of companies.

Key highlights 2013 -14

- Consolidated cement production was 16,64,037 MT during the year as against 10,67,465 MT during the previous financial year, registering a growth of 56%.
- Consolidated net sales were ₹102,798.95 Lacs during the year under review as compared to ₹59,497.13 Lacs during the financial year 2012-13, registering a growth of 73%.
- Consolidated EBIDTA was 96% higher at ₹23,650.50 Lacs as compared to ₹12,047.69 Lacs during the immediate previous financial year.
- Consolidated loss before tax during the year 2013-14 was at ₹479.26 Lacs as against a profit of ₹4,897.67 Lacs in the year 2012-13. This was mainly on account of higher interest charge and depreciation during the year under review.
- Average net sales realization during the year under review has grown by 3% during the year under review as compared to previous year.

Financial results

(₹ in Lacs)

Particulars	Consolidated		Standalone	
	2013-2014	2012-2013	2013-2014	2012-2013
Net Sales / Income	**103, 060.96**	**59,687.70**	**73,675.38**	**36,200.22**
Profit before Interest, Depreciation, Tax and extra-ordinary items	23,650.50	12,047.69	6,595.92	6,773.23
Extraordinary Items	(102.39)	9.80	(108.11)	118.46
Profit before Interest, Depreciation and Tax	23,548.11	12,057.49	6,487.81	6,891.69
Interest & Finance Charges	(8,344.19)	(2,682.36)	(3,486.25)	(1,699.20)
Depreciation	(15,683.18)	(4,477.46)	(4,531.79)	(2,083.80)
Profit/(Loss) before Tax	**(479.26)**	**4,897.67**	**(1,530.23)**	**3,108.69**
Provision for taxation:				
- Current Tax	(87.87)	(1,417.72)	-	(623.35)
- Less: MAT credit entitlement	-	1,417.72	-	623.35
- Net Current Tax	(87.87)	-	-	-
-MAT Credit entitlement of earlier years	(26.61)	-	-	-
- Income Tax for earlier years	0.40	-	-	-
- Deferred Tax	247.62	(578.68)	(39.15)	(40.13)
-Minority Interest	(74.15)	(28.07)	-	-
Net Profit after Tax (after minority)	**(419.88)**	**4,290.92**	**(1,569.38)**	**3,068.55**

OPERATIONAL PERFORMANCE

FY 2013-14, although an year marked with inflation, slowdown in economy and flat demand growth of cement, has been an year of stabilization of operation for your company. Your company has been able to stabilize operation of its newly set up Grinding Unit at Guwahati which was commissioned during last quarter of Financial Year 2012-13. The operation of newly commissioned Clinker Manufacturing Unit of subsidiary M/s Star Cement Meghalaya Limited at Lumshnong (Meghalaya) also has largely been stabilized during the year under review.

FY 2013-14 was first full year of operation for both the newly commissioned units. However, amid the challenges posed by macro-economic conditions which prevailed throughout the year under review, your company has been able to stabilize its operation of its new units and has been able to manufacture 13,78,616 MT of Clinker on consolidated basis as against 835,576 MT during the FY 2012-13, registering a growth of 65% over last year.

Your company produced 16,64,037 MT of cement during the year under review on consolidated basis as against 10,67,465 MT during FY 2012-13 registering a growth of 56%. Cement dispatch on consolidated basis was 16,53,279 MT during the year under review as against 10,69,489 MT during FY 2012-13, registering a growth of 55% over previous year. Similarly, sale of cement grew from 10,65,097 MT on consolidated basis during last year to 16,31,048 MT during the FY 2013-14, registering a growth of 53%.

In the first full year of operation, both of the newly commissioned units have been able to achieve around two-third of its capacity utilization. Grinding unit at Guwahati produced 954,679 MT of cement during the year under review which accounts for 60% (approx.) of installed capacity. Similarly, the clinkerisation unit of subsidiary M/s. Star Cement Meghalaya Limited has achieved a capacity utilization of 63% and has manufactured 11,02,905 MT of Clinker during its first full year of operation. With more stabilized operation, your company expects larger volumes of clinker and cement production from next financial year onward.

DIVIDEND

Your Company has declared and paid an interim dividend at the rate of 25% (₹2.50 per equity share of ₹10/- each) during the month of January, 2014. Total outgo on account of dividend for the year under review amounts to ₹1,226.15 Lacs including dividend distribution tax of ₹178.11 Lacs.

To meet the operational requirement of funds, your directors do not recommend any further dividend for the year under review.

MARKET DEVELOPMENTS

With commissioning of new units, your company has been able to capitalize on potential of markets of North Eastern Region (NER). Despite flat demand growth in the markets of North East, your company has been able to grow its sales volume by 37% in the region. Your Company sold 14,16,426 MT of cement on consolidated basis in the markets of NER during the year under review as against 10,32,839 MT during the last financial year. The market share of your company further improved from 18% during last financial year to 23% during the year under review. This has been achieved by concentrating on more focused approach to expand its reach in rural and semi-urban market of NER. This was further supported by increased brand visibility and focused campaigning of your brand “STAR CEMENT” in remotest areas of the region. Company’s Brand “STAR CEMENT” continues to enjoy leadership position in the region.

Apart from intensifying its effort in NER market, your company is pleased to inform that product of your company under the same brand “STAR CEMENT” has successfully been placed in the markets of West Bengal and Bihar. Keeping in view the short time frame since your company launched its product in these market, the efforts put in the markets of West Bengal & Bihar have started bearing fruits for the company. Your company has been able to cloak a sales volume of 2,14,622 MT of Cement in a very short span of time in these markets during the year under review as compared to 32,258 MT during the immediate preceding financial year which accounts for more than five times growth during the year under review over previous year.

While in NER, the dealer and retail network has been under expansion during the year under review to further consolidate its feet in the region; your company has started appointing dealer and retailers in the markets of West Bengal & Bihar too. A dedicated team has already been placed for these new and upcoming market areas to strengthen its retail network. A huge marketing and visibility campaign has been put in place to have a better brand visibility and top of mind recall amongst the users of cement in all these markets.

With sustained marketing efforts on continued basis, your company expects to put a much better performance during the ensuing year. In addition, your company is also exploring possibility of placing its product in the markets of neighboring countries viz. Nepal, Bhutan and Bangladesh. Your company, through its subsidiary M/s Star Cement Meghalaya Limited is already exporting clinker to these neighboring countries. Your company is exploring avenues to export cement too in these markets.

PRODUCTION AND COSTS DEVELOPMENTS

Your company has undertaken cost reduction measures as major thrust area during the year under review. We could achieve reduction of input cost on almost all major raw materials with only exception being packing materials which rose due to rise in global crude prices.

We have successfully implemented "Online Reverse Auction" of major purchased items achieving considerable reduction on cost. Inventory reduction drive was taken up as a measure focus area in order to liquidate redundant and dead stock items of Stores and Spares.

Cost of Lime Stone and Shale largely remained unchanged. Cost increase on explosives was offset by better utilization factor of same.

Coal

Coal being a major cost driver for cement industry has got a very important role in overall cost composition of cement produced. Purchase price of Coal reduced considerably to ₹3442/- PMT during the year under review as against ₹4,872/- PMT during previous year. However, Coal consumption has also reduced from 17.69% of Clinker manufactured during last financial year to 17.11% during the year under review. This was achieved on account of better quality of coal received. However, specific heat consumption has gone up marginally from 788 Kcal/Kg of Clinker during the last financial year to 806 Kcal/Kg of Clinker during the year under review.

Fly Ash

Cement blended with Fly Ash has got dual advantage. On the one side, usage of fly ash is friendly to environment and on the other hand, it results into achieving cost optimization and energy saving. Your Company has been able to source fly ash from multiple sources which has given an edge in terms of optimization of blending and cost both. Your company has made long term arrangements with major power plants of NTPC, Tata Power and WBPDCL. In addition, your company has also made arrangement with its subsidiary M/s Meghalaya Power Limited for supply of fly ash. This blend of source has not only given an advantage of less dependence on one source but has also resulted into advantage on cost front. Usage of fly ash of subsidiary company has not only reduced average landed cost but also dependence on availability of railway rakes and uncertainty related thereto has reduced to a great extent. During the year under review, your company has produced 14,75,331 MT of fly ash based Portland Pozzolana Cement (PPC) as against 9,71,098 MT during immediate previous year.

Logistics & Freight

During the year under review, Logistical needs of the organization increased many fold with commissioning of Guwahati Grinding Unit and Clinkerisation unit of subsidiary M/s Star Cement Meghalaya Limited. The expansion of market to areas outside the North East Region also warranted a mix of Road and Rail movement. While additional capacity was to be distributed in the market, we were subjected to inter unit dispatches of Clinker and increased needs of input and raw materials. Your company braved all challenges and prudent planning put in place ensured smooth availability of trucks and wagons.

During the year under review Freight Cost reduced to ₹1322 per MT as against ₹1362 per MT during previous year. This was achieved despite increase in cost of Diesel by 14% in addition to increase in other input costs for transportation industry. With increased capacities, distribution network was developed in West Bengal and Bihar with 24 Warehouses across these two states. Cost effective Railway mode of Transportation was used to a big extent with dispatch of 1.91 Lakh MT by Rail to Bengal & Bihar. Clinker Export to Bangladesh was started during the year by both River Barges and Road Transport.

Your company continued to focus on Infrastructure development and in the process construction of a Railway Siding was initiated which is expected to be commissioned in the ensuing financial year. Company has tied-up arrangement to ensure availability of over 400 trucks to work dedicatedly for its transportation needs. Warehouse and Logistics Infrastructure development was also undertaken for Export of Clinker to neighboring countries.

Power Cost

With commissioning of Clinkerisation unit of its subsidiary M/s Star Cement Meghalaya Limited at Lumshnong and Company's Grinding Unit at Guwahati, on consolidated basis total requirement of power has gone up considerably during the year under review. Moreover, in the ensuing year and onward with expected improvement in capacity utilization of all the plants including of subsidiaries, the power requirement on consolidated basis is set to grow. The availability of grid power remained a concern both in terms of quality and quantity during the year under review coupled with increase in tariff and minimum demand charges. Keeping this into mind, as also the status of availability of Grid Power from State Electricity Boards, your company has advanced its efforts to towards reducing its dependence for supply of power on State Electricity Boards. Your company has made long term arrangement for supply of power with its subsidiary M/s Meghalaya Power Limited which has already started its commercial operation with expanded capacity of 51 MW. In addition, Grinding Unit at Guwahati has also been granted permission to purchase power through Indian Energy Exchange (IEX) under Open Access Mode. Although the power cost has gone up from ₹5.72 Per Kwh during the FY 2012-13 to ₹6.47 Per Kwh during the year under review but on account of reduced dependency for power on State Electricity Board, plant operation remained unaffected. However, increase in cost of power has impacted margins of the Company.

INDIAN CEMENT INDUSTRY – GROWTH PERSPECTIVE AND OUTLOOK

Despite slowdown in nation's economy in recent years, as a developing and emerging economy, India still have great potential in infrastructure sector and cement plays a critical role in the growth and development of the country. As a country, our nation is placed second in terms of production of cement in the world. The cement industry has been expanding on the back of increasing infrastructure activities and demand from housing sector over the past many years. Although there has been flat growth in cement demand during the year 2013-14, on the expectation of increased government spending in infrastructure sector a growth of 5-6 per cent is expected during next fiscal. This is also supported by an expected increase in demand from the rural sector and tier II and tier III cities. Cement production in India is expected to touch 400 million tonnes (MT) by 2020. In next few years Cement consumption in India is expected to rise by 8 to 9 per cent on a year to year basis and industry is expected to regain its momentum and witness a steady market.

As a nation, our country has the potential of becoming world's third largest construction hub in next 8 to 10 years. Apart from infrastructure sector, a major consumption segment of cement in India has been housing sector. Government has also been focused on promotion of low-cost affordable housing. Expected leap in infrastructure and housing sector to boost economic growth and with a plan to increase investment in infrastructure sector to US $ 1 trillion in the 12th Five Year Plan (2012-17), the industry is expected to add a sizable capacity.

On the capacity utilization front, in the short to medium term, the industry is expected to operate at a level of 70 to 80 percent of its capacity. However, in the longer term the industry looks promising after a prolonged muted growth years.

On the cost front Coal, Power and freight cost are the major cost drivers for the cement industry. Although prices of coal has stabilized in North Eastern Region with a bias towards reduction, prices and quality of coal in rest of country still poses challenges for the cement industry. Stringent environment and forest regulations are other major challenges affecting availability of coal in general and other critical minerals like limestone in particular for cement industry which may ultimately lead to higher mining and procurement cost. To overcome this situation, many of cement plants have started importing coal from countries like Australia and Indonesia and are also exploring possibility of using alternate fuel. Fluctuating Rupee with bias towards depreciation in its value through the year under review has taken a toll on the prices of diesel too leading to increase in freight cost. Railways have been increasing its freight rates from time to time. Timely availability of railway rakes has been another bottleneck.

On the power front, availability of grid power both in terms of quality and quantity has remained a concern for cement industry. Poor availability of coal to power plants has resulted into lower capacity utilization and reduced output. Recent developments on allocation of coal blocks and consequential halt on its allocation to coal consuming industries has also affected power generating units across country. On the tariff front, state owned electricity supplying companies have been increasing their tariff and minimum demand charges and despite that they have not been able to meet their Actual Revenue Requirement (ARR).

However, on the back of expected growth in country's economy, India presents a better and promising future ahead for cement industry.

CEMENT SCENERIO IN NORTHEAST – A VIEW IN RETROSPECT AND OUTLOOK

Still with potential of huge investment in infrastructure and housing sector in North Eastern Region, the muted and flat growth in cement demand during the year under review has not left the region untouched. The demand growth was close to 4% in the North Eastern Region during the year under review. This was mainly on account of slowdown in spending in infrastructure sector and increased lending rates in housing sector. Overall inflationary conditions also resulted into lowering down the resources at disposal of consumers at large, thereby decreasing their spending capacity. Increasing costs of construction coupled with depressed resources and uneasy access to funds from financial institutions have resulted in a slowdown in demand for cement from the housing as well as infrastructure sector in the North Eastern Region too. Restrained expenditure in current Infrastructure projects by the Government and drying up of fund allocation for new projects has resulted in the sector stagnating which resulted into flat demand for cement in the sector.

North Eastern Region (NER) even though being rich in mineral resources, lacks in various indicators of development as compared to rest of India. Off-late, the Central Government has renewed its endeavor of providing fillip to the development of infrastructure in the region by constituting a monitoring committee, comprising of representatives from North Eastern States to improve the region's coordination with the Central Government on development of infrastructure in the region. Several ambitious road development projects like Trans Arunachal Highway Programme and special accelerated road development projects have since been cleared by the Central Government and bottlenecks in implementation of these projects have since been removed. Though, there has been a sedate growth in demand for cement during the year under review, on the back of several ambitious infrastructure projects lined up for implementation in the region, the demand for Cement is expected to firm up. Moreover, with the economy expected to pick up in the short term and with rise in sentiments, the major consumption areas like housing, road and rail will drive the demand of cement further in the region.

Although, market share of cement imported from outside the region has reduced over the years, still a significant quantity is still being pushed in the markets of North East from the cement players from outside the region. This provides another opportunity to cement industries of North Eastern Region to further consolidate on their market share. In terms of volume, your company has been able to achieve sale of 14,16,426 MT of Cement in the region during the year under review as against 10,32,839 MT during the previous year registering a growth of 37% as against growth of 4% in Cement demand. Market share of your company has increased to 23% as against 18% during the previous financial year in the region. Your Company continues to enjoy brand leadership position in the market of North East. With the stabilization of operations of its newly commissioned units, your Company expects to further strengthen its feet in the Region.

SUBSIDIARIES COMPANIES

Operations of M/s Star Cement Meghalaya Limited, subsidiary of your Company which commenced commercial production of Cement Clinker during last quarter of FY 2012-13 have largely been stabilized.

M/s Meghalaya Power Limited, Lumshnong which expanded its capacity during FY 2012-13 is under process of stabilization of its operations.

M/s Star Cement Meghalaya Limited, M/s Meghalaya Power Limited, M/s Megha Technical & Engineers Private Limited and M/s NE Hills Hydro Limited continue to remain subsidiaries of your company.

The statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiaries is annexed to this report. The Board of Directors has given their consent for not attaching the financial statements of the subsidiaries referred to in the aforesaid annexed statement, pursuant to General Circular No. 2/2011 dated 8th February, 2011 of the Ministry of Corporate Affairs, Government of India. However, the annual account of Subsidiary Companies and the related detailed information shall be made available to the shareholders of the company and that of subsidiaries seeking such information at any point of time. The annual accounts of subsidiaries are also available for inspection by any share holder at the corporate office of the company and that of its' subsidiary.

CONSOLIDATED FINANCIAL STATEMENTS

Your Company has also prepared the Consolidated Financial Statement in accordance with Accounting Standards 21 issued by the Institute of Chartered Accountant of India, which comprises of the financial statement of the Company and the subsidiaries Megha Technical & Engineers Private Limited, Star Cement Meghalaya Limited, Meghalaya Power Limited, and NE Hills Hydro Limited. The audited consolidated financial statements together with Auditors' Report form part of the Annual Report.

The consolidated net Loss of the Company and its subsidiaries stood at ₹421.39 Lacs for the financial year ended on 31st March, 2014 as compared to ₹1,569.38 Lacs for the Company on a standalone basis.

HOLDING COMPANY

The Scheme of Arrangement between holding company Century Plyboards (India) Limited and Star Ferro and Cement Limited and their respective shareholders to transfer the Ferro Alloys and Cement Businesses of holding company to Star Ferro and Cement Limited which was pending for approval by Hon'ble High Court of Calcutta was approved on 17th May, 2013. Consequent to approval, M/s Century Plyboards (India) Limited has ceased to be the holding company of your company with effect from appointed date, i.e. 1st April, 2012 and M/s Star Ferro and Cement Limited has become holding company of your company effective from the same date.

M/s Star Ferro & Cement Limited holds 70.48% of equity in your company.

As informed by holding company, demerger will enable the holding company to carry out its core business of Plyboards and laminates more conveniently and advantageously on the one side, and such demerger and transfer will also unlock the potential of each of the businesses to raise and access larger funds for running, growth and expansion thereof on the basis of their individual strength and operating parameters and independent valuation, on the other side.

INTERNAL CONTROL SYSTEMS

The Company has adequate level of internal control system in place commensurate with size and nature of its business. Regular Internal Audits are conducted by an external firm of Chartered Accountants for all the major processes which ensures reliability of transactions being recorded which in turn ensures reliability of financial reporting, timely feedback on operational efficiencies, compliances of processes, policies, laws and regulations which have a bearing on the business and sustenance of your company.

The Internal Audit function reviews the efficacy of internal control system in place from time to time to ensure that company's business and operations remain protected under changing business environment and needs as also with frequent changes in legal and regulatory framework governing the business and operations of your company.

The Internal Audit and internal control systems have also been designed in the manner that it provides early signal of any lapse or loss of control in the control mechanism affecting operations in any manner.

The report of internal auditors is periodically reviewed by Audit Committee. The Audit Committee reviews the effectiveness of the internal controls and checks in place for processes and the risk management mechanism employed by the Company and suggests, changes, as and when required.

PARTICULARS OF EMPLOYEES

The Company has no employee whose salary exceeds the limit prescribed under section 217(2A) of the Companies Act, 1956. Hence, information required to be given under the said section read with Companies (Particular of Employees) Rules, 1975 as amended has not been provided in this report.

HUMAN RESOURCE AND INDUSTRIAL RELATIONS

Human Capital has always been critical and one of most important and most valuable element for any organization. Employees with high moral and engagement deliver unexpected benefits to the organization. To keep the morale high, besides adopting standard HR management processes, your company has created a favorable work environment that encourages innovation and meritocracy by aligning the growth of individual talent with Organizational objectives to meet the strategic needs of the organization as also ensures fulfillment of individual and team aspirations. The Organizational Objectives cascaded to Department, Team and Individuals as their targets are reviewed periodically.

Continuous learning of employees has remained of prime significance for your company. We believe that this is necessary not only for company's own sustainability and growth as an organization; but also for enabling professional development of employees. Leadership development at every level is core part of our In-house, external and internal training programme in addition to build & develop required competencies on functional and behavioral aspects as well. For contractual employees, your company has also started a systematic training programme before and after they are engaged at work.

Mentoring local employees to inculcate industrial work culture amongst them is our continuous effort and delivering desired results.

Your Company strives towards attracting best possible talent through employee referrals, open market and campus recruitment. This provides a blend of ideas & knowledge at work place.

To maintain the work life balance, social gatherings and competitions are organized across the organization and various festivals are celebrated with active participation of employees and their family members.

Your Company continues to enjoy a good and harmonious Industrial relation and congenial environment across the organization.

OCCUPATIONAL HEALTH AND SAFETY

Safety has always been a top priority area for your company. Your Company has been focusing not only on creating safe environment to work at work place, but has also been endeavoring to build a mindset amongst its employees and stake holders which is one of the most essential input for creating safe working environment at work place and outside too. If one carries out a root cause analysis of any accident or near-miss, the instances where the accident has occurred on account of avoidable human errors will be observed the most. This happens mostly on account of ignorance or tendency to ignore prescribed safety norms to be adopted during execution in a particular kind of job either at work place or even otherwise. To avoid such instances, your company has been consistently conducting awareness programme involving all employees and other stake holders across the organization in form of regular EHS Gate Meetings, Safety Drills, quiz Competition. During the year under review, to create awareness on Fire Safety, a fire safety day was observed wherein mock drills were conducted and demonstrated to share the knowledge about actions to be taken in the eventuality of any fire. A monthly Gate Meeting on environment health and safety is arranged wherein participation is ensured across all levels and departments and incidents are discussed and analysis is carried out to create awareness amongst the participants to avoid repetition of such incidents. Periodical and surprise safety audits are carried out to check the level of prescribed safety norms being followed during execution of different works. A behavioral based safety audit was also conducted during the year under review by an external agency amongst managerial employees. An emergency control room has been put in place to attend any eventuality. Your company has also started a safety induction programme for all new employees and contractual workers.

As a measure towards environment protection and to make its campus the greenest, your company has adopted "Akira Miyawaki", a method which aims at planting a dense forest instead of planting a tree. Company at its unit has planted 2700 saplings of 14 native species on a single day on 20.09.2013.

DIRECTORS

Mr. Brij Bhushan Agarwal and Mr. Pankaj Kejriwal will retire by rotation at the forthcoming Annual General Meeting in accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association and being eligible, offer themselves for reappointment.

The Board recommends their reappointment.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 as amended, the Board of Directors hereby confirms:

1. That in the preparation of Annual Accounts, the applicable Accounting Standards have been followed and that there are no material departures.

2. That the Director's have selected appropriate accounting policies and have applied them consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2014 and of the Statement of Profit & Loss and Cash Flow of the Company for year ended 31st March, 2014.

3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for

preventing and detecting fraud and other irregularities.

4. That the Directors have prepared the annual accounts on going concern basis.

CORPORATE CITIZENSHIP

Your Company believes in principal of inclusive growth and considers the growth of community along with the growth of the Company as an important aspect of business ethics. With an aim of giving back to the society, the Company, as a responsible corporate citizen, has been proactively undertaking social welfare activities for the benefit of local people and all around development of local area.

Your Company maintains a school, equipped with modern educational facilities, for providing better educational facilities at the local area at Lumshnong Village. The School is affiliated to Central Board of Secondary Education and imparts education up to 10th Standard and is staffed with well-trained teaching and non-teaching staff. Plans have been put in place to upgrade the school to 12th Standard of education in the coming years. During the year under review, your company has actively contributed in construction of new school building and classes have started from the newly constructed building. The school provides free-ships to poor and needy students of local and surrounding villages.

The Company has been actively participating in social and economic development of the local village and the surrounding areas and has been one of the key contributors to the Village Area Development Fund. During the year under review, your Company has started several skill development programs for the youth of the area. With a view to increase the means of livelihood for local people and for uplifting their social status and with a view to encourage local entrepreneurship, your Company has been engaging local people as suppliers of limestone, coal, river sand etc. The Company has continued to maintain street lights of the village. Potable drinking water has been made available to the people of the local village and adjoining areas through a dedicated fleet of tanks maintained by the Company.

The Company has also been actively involved on the health front and maintains a well-equipped hospital to take care of day to day medical, diagnostic and emergency requirements of local residents. The Company also maintains dedicated fleet of ambulances fitted with modern facilities and equipment to cater to all kind of medical emergencies round the clock. During the year under review, several free medical health check-ups, eye check-ups and vaccination camps were conducted by your Company. Doctor on call facility has also been put in place for the welfare of the local people.

To further strengthen its social responsibilities, your company has plans to put in place a committee dedicated towards monitoring and implementation of its responsibilities as a responsible corporate citizen.

AUDIT COMMITTEE

Your Company has an audit committee at the Board level, which acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process. The Committee comprises of Mr. Sajjan Bhajanka, Mr. Brij Bhushan Agarwal and Mr. Prem Kumar Bhajanka with Mr. Sajjan Bhajanka as its Chairman. The Constitution of the Audit Committee also meets the requirements under section 292A of the Companies Act, 1956. Four meetings of the Committee were held during the year i.e. on 19th April, 2013, 17th July, 2013, 28th October, 2013 and 8th January, 2014.

The Audit Committee, inter-alia, reviews:

- Quarterly, half-yearly and yearly Financial Statements before submission to the Board for approvals.
- Significant related party transactions.
- Audit Reports including Internal Audit Reports and report of internal audit team of the Company.
- The Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommendation to the Board, the appointment, re-appointment of auditor, and fixation of audit fees.
- Changes, if any, in accounting policies and practices and reason for the same.

The Audit Committee so constituted advises the management on the areas where internal audit can be improved. The minutes of the meetings of the audit committee are placed before the Board.

AUDITORS' REPORT

The observations made in the auditor's note are self-explanatory and therefore do not call for any further comments under section 217 (3) of the Companies Act, 1956.

APPOINTMENT OF COST AUDITORS

Your Company has appointed M/s B.G. Chowdhury & Company, Cost Accountants to audit the Cost Records of the Company for the financial year ended on 31st March, 2014 in terms of Section 233B of the Companies Act, 1956.

AUDITORS

M/s. Kailash B. Goel & Co., Chartered Accountants, Statutory Auditors of the Company, will retire at the conclusion of the ensuing Annual General Meeting of the Company. Being eligible, they have offered themselves for re-appointment and have confirmed that their appointment, if made, will be in accordance to the provisions of section 141 read with section 139 of the Companies Act, 2013. In terms of requirement of section 177 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the audit committee of the company in their meeting dated 17th May, 2014. have recommended their appointment as statutory auditors for the year 2014-15 to Board of Directors. Members are requested to approve and ratify the appointment. Members are also requested to empower the Board of Directors for fixation of Auditor's Remuneration.

FORWARD LOOKING STATEMENTS

In the Management Discussion and Analysis and Directors' Report, statements given while describing Company's Long Term Plans, objectives, prospects and opportunities may be forward looking. Such Statements have been made on the basis of experience so far and are contingent upon various factors like legislative and regulatory developments, macro economic and political trends, domestic demand and supply conditions affecting selling prices, new capacity additions which are material to the business operation of the Company and actual performance may differ materially from those expressed in the said statements.

APPRECIATION

Your directors take this opportunity to express deep sense of gratitude to the banks, Central and State Governments and their departments, the local authorities and business associates for their continued guidance and support. We would also like to place on record our sincere appreciation for the total commitment, dedication and hard work put in by every member of the CMCL family. To them goes the credit for the company's achievements. Your Company also wishes to convey its sincere thanks and appreciation to the villagers of Lumshnong village and other villages in Narpuh Elaka and also to the villagers of Chamta Pathar, Sonapur, Guwahati for their continuous and ever strengthening support. And to you our shareholders, we are deeply grateful for the confidence and faith that you have always reposed in us.

For and on behalf of the Board of Directors

Place : Kolkata

Dated : 17th May, 2014

Sajjan Bhajanka

Chairman and Managing Director

ANNEXURE - I

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO AS REQUIRED UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2014.

A. CONSERVATION OF ENERGY

a. Energy Conservation Measures taken :

Specific energy consumption (Kwh/Ton of cement) has gone up to 97.81 units.

During the FY 2013-14 following energy conservation, modification and efficiency improvement measures were undertaken:

1. Suitable Interlocks have been provided for gear box & girth gear cooling fans to avoid idle running of these fans.
2. Optimization of pressure drops in pre heater cyclones.
3. Optimization of raw mix.
4. Mill Output was increased by minimizing breakdowns and optimizing Mill.
5. The Bag House Fan and Material transportation bucket elevators are stopped after 20 minutes whenever mill operation is stopped in place of 30 minutes initially.
6. Modification in Cement Mill bulk loading system by installing one air slide directly from silo bottom to bulker receiving point.
7. Optimization of Fuel in Hot Air Generator between diesel and coal.
8. Optimization of coal consumption in Hot Air Generator by optimizing Coal Firing.
9. Use of Grinding Aid.
10. Reduction in idle running by reorganization of system interlocks.
11. Optimization of Bag House by changing purging sequence and by optimizing on time and off time through repeated trials.
12. Optimization of Truck Tippler Operation.
13. Installation of Capacitor Bank resulted into improvement in power factor.

b. Additional Investments and proposals, if any, being implemented for reduction of consumption of energy:

The Company has planned to implement the following measures:

(i) Replacement of Coal Mill Grit Separator with high efficiency dynamic separator.

(ii) Installation of Dry Fly Ash feeding system for feeding of fly ash directly into classifier.

(iii) Installation of Timers/Optical Sensors for outdoor lighting.

(iv) Additional installation of Capacitor Banks to further improve on power factor.

c. Impact of measures at (a) and (b) above for reduction of Energy Consumption and consequent impact on the cost of production of goods:

Measures referred in (a) and (b) are expected to result in energy saving resulting into lowering down the cost of finished goods produced.

Form for Disclosure of particulars with respect to Conservation of Energy

		Particulars	2013-2014	2012-2013
A		**Power and Fuel Consumption**		
1		**Electricity**		
	A	**Purchased**		
		Units (Lacs Kwh)	745.38	768.60
		Total Amount (₹ In Lacs)	4,823.53	4,394.73
		Rate/Unit (₹)	6.47	5.72
	B	**Own Generation**		
		Through Diesel Generator		
		Units (Lacs Kwh)	NIL	NIL
		Units / Ltr. of HSD	NIL	NIL
		Total Amount (₹ In Lacs)	NIL	NIL
		HSD const / Unit Generated (₹/unit)	NIL	NIL
2		**Coal (C&D Grade used as fuel in Kiln)**		
		Quantity (MT)	47,184	134,132
		Total Cost (₹ In Lacs)	2,329.31	6,222.21
		Average Rate (₹/MT)	4,936.62	4,638.87
3		**High Speed Oil for Kiln**		
		Quantity (K. Ltr)	38,129	26,305
		Total Cost (₹ In Lacs)	19.73	10.79
		Average Rate (₹/K.Ltr)	51,741.00	41,012.00
B		**Consumption per unit of Production**		
		Electricity (Kwh/T of Cement)	97.81	94.70
		HSD (Ltr/T of Clinker)	0.14	0.03
		Coal (K.Cal/Kg of Clinker)	806	788
		Coal % per MT of Clinker	17.11	17.69

B. TECHNOLOGICAL ABSORPTION

Research & Development (R&D)

Research & Development Cell of company has carried out various tests in different areas of operation for achieving greater level of efficiencies.

Specific areas in which such R&D was carried out by the Company:

1. Use of iron ore and Laterite as alternative raw material.
2. Trial Production of Slag Cement and PPC Part –II
3. Laboratory Test and study of Calcined Clay to find out its suitability for replacement with Fly Ash.
4. Development of Raw Mix design for usage of low grade lime stone.
5. Trail for use of newly designed packing bags.
6. Study of sustainability of Performance Improver in Cement Mill.

Benefit derived as a result of R&D

1. Usage of low cost iron ore fines and Laterite resulted into reduction in input cost.
2. Successful Trail production of Slag Cement and PPC Part II will help in exploring new markets and in optimizing cost of production.
3. Usage of Calcined clay will optimize use of high cost fly ash and clinker.
4. Usage of Low Grade Lime Stone will result into improved mines life and conservation of natural resources.
5. Improved design of packing bags shall result into reduction in bursting ratio and better customer satisfaction.
6. Use of Performance Improver would result into optimization of cost.

Future Plan of Action

1. Development of technical feasibility for usage of industrial waste as alternative fuel.
2. Feasibility study for installation of pre grinder.
3. Installation and Upgradation of energy efficient equipments.
4. Exploratory Research Work in above specific areas.
5. NABL Accreditation of Laboratory.

Expenditure on Research & Development

(₹ in Lacs)

Particulars	2013-2014	2012-2013
Capital Expenditure	56.43	13.05
Revenue	50.28	28.40
Total	**106.71**	**41.45**

INDUSTRIAL RELATION

The Industrial relation situation in the company remains harmonious and healthy at all levels.

Foreign Exchange Earnings & Outgo

(₹ in Lacs)

Particulars	2013-2014	2012-2013
Foreign Exchange Earning	-	25.42
Foreign Exchange Outgo	9213.37	5803.29

INDEPENDENT AUDITORS' REPORT

To the Members of,
CEMENT MANUFACTURING COMPANY LIMITED

Report on the Financial Statement

We have audited the accompanying financial statements of Cement Manufacturing Company Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on Auditing issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 read with General Circular No. 15/2013 dated 13th September, 2013 issued by Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2014;

(ii) in the case of the Statement Profit and Loss account, of the loss of the Company for the year ended on that date; and

(iii) in the case of Cash Flow Statement, of the Cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. As required by section 227(3) of the Act, we report that:
   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
   (c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
   (e) On the basis of written representations received from the directors as on 31st March, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For KAILASH B. GOEL & CO.
Firm Registration No. 322460E
Chartered Accountants

CA. Arun Kumar Sharma
Partner
Membership No. 057329

Place : Kolkata
Date : 17th May, 2014

Annexure referred to in Paragraph (1) under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date.

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

   (b) The fixed assets of the company are physically verified by management according to a phased programme on a rotational basis, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification.

   (c) During the year the Company has not disposed off a substantial part of its Fixed Assets and therefore do not affect the going concern assumption.

2. (a) The inventory, except goods in transit and materials lying with third parties, which have been substantially confirmed by them, has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

   (b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.

   (c) The Company is maintaining proper records of inventory. No material discrepancies have been noticed on physical verification of Inventory as compared to book records.

3. (a) The Company has granted unsecured loan to two companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹1850 lacs and there is no balance outstanding at the year end.

   (b) In our opinion and according to information and explanations given to us, the rate of interest and other terms condition on which loan has been given are not, prima facie, prejudicial to the interest of the Company.

   (c) There was no stipulation for repayment of the above loan but the same was stated to be repayable on demand. The receipt of interest on such loan had been regular and the loan was fully received back during the year.

   (d) The company has taken unsecured loan from two companies covered in the register maintained under section 301 of Companies Act, 1956. The maximum amount involved during the year was ₹11608 lacs and the year-end balance of loan taken from such companies was ₹9208 lacs.

   (e) In our opinion and according to information and explanations given to us, the rate of interest and other terms and condition on which the loans have been taken are not, prima facie, prejudicial to the interest of the Company.

   (f) There was no stipulation for repayment of the above loans but the same was stated to be repayable on demand. In respect of the aforesaid loans, the company is regular in payment of interest.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and other services. During the course of our audit, no major weakness has been noticed in these internal controls.

5. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.

   (b) According to the information and explanations given to us, the transaction made in pursuance of such contracts and arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the Rules framed there under.

7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

8. We have broadly reviewed the accounts and records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the said records with a view to determine that they are accurate.

Annexure to the Auditors' Report *(Contd.)*

9. (a) The Company is regular in depositing with the appropriate authorities undisputed statutory dues Including Provident Fund, Employees State Insurance, Investor Education & Protection Fund, Income Tax, Sales Tax, Value Added Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and any other statutory dues applicable to it. There were no undisputed arrears as at 31st March 2014, for a period of more than six months from the date they became payable.

   (b) According to the information and explanations given to us, and the records of the company examined by us, the particulars of disputed taxes and duties as at 31st March 2014 which have not been deposited, are as under:

Name of the Statute	Nature of the dues	Amount (₹ in lacs)	Period to which amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Excise Duty	19.97	2004-05, 2005-06 & 2006-07	CESTAT
The Central Excise Act, 1944	Excise Duty	72.92	2005-06 & 2006-07	CESTAT
Department of Forest & Mining	Royalty on coal	831.78	2012-13 & 2013-14	Directorate of Mineral Resources, Meghalaya.

10. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
11. According to the information and explanation given to us and on the basis of the records examined by us, the Company has not defaulted in repayment of dues to financial institutions or banks.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
14. The Company is not dealing in or trading in shares, securities, debentures and other investments, therefore, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
15. In our opinion and on the basis of information and explanations given to us, the terms and condition of guarantee given by the company for loans taken from banks by its two subsidiaries and a body corporate, are not prima-facie prejudicial to the interests of the company.
16. In our opinion and on the basis of information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
19. According to the information and explanation given to us, the Company has not issued any secured debentures during the period covered by our report. Accordingly provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 (as amended), are not applicable to the Company.
20. The Company has not raised any money through public issue during the year.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year course of our audit.

For KAILASH B. GOEL & CO.
Firm Registration No. 322460E
Chartered Accountants

CA. Arun Kumar Sharma
Partner
Membership No. 057329

Place : Kolkata
Date : 17th May, 2014

BALANCE SHEET AS AT 31ST MARCH, 2014

(₹ in Lacs)

	Note	31.03.14	31.03.13
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2.1	4,192.14	4,192.14
Reserves and Surplus	2.2	46,797.82	49,593.35
		50,989.96	53,785.49
Non-current liabilities			
Long Term Borrowings	2.3	26,299.47	23,357.49
Deferred Tax Liabilities (Net)	2.4	102.44	63.28
Other Long Term Liabilities	2.5	4,156.76	2,882.47
Long Term Provisions	2.6	104.04	75.51
		30,662.71	26,378.75
Current liabilities			
Short Term Borrowings	2.7	9,957.64	4,555.34
Trade Payables		6,659.17	1,525.33
Other Current Liabilities	2.8	12,717.52	6,011.27
Short Term Provisions	2.9	17.02	5.01
		29,351.35	12,096.96
Total		**111,004.02**	**92,261.20**
ASSETS			
Non-current Assets			
Fixed Assets			
-Tangible Assets	2.10	37,502.60	35,048.81
-Intangible Assets	2.10	25.06	20.99
-Capital Work in Progress		1,692.99	3,485.97
		39,220.65	38,555.77
Non Current Investments	2.11	23,878.43	23,877.43
Deferred Tax Asset (Net)			
Long Term Loans and Advances	2.12	9,758.11	10,233.11
Other non- Current assets	2.13	11.52	5.78
		72,868.71	72,672.09
Current Assets			
Inventories	2.14	7,068.15	5,423.82
Trade Receivables	2.15	9,901.96	1,915.82
Cash and Cash equivalents	2.16	615.43	1,484.67
Short Term Loans and Advances	2.17	20,549.77	10,764.80
		38,135.31	19,589.11
Total		**111,004.02**	**92,261.20**
Significant accounting policies and notes on accounts	1 & 2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board of Directors

For Kailash B. Goel & Co.
Firm Registration No. 322460E
Chartered Accountants

CA. Arun Kumar Sharma
Partner
Membership No. 057329

Place: Kolkata
17th May, 2014

Sajjan Bhajanka
Chairman & Managing Director

Rajendra Chamaria
Vice Chairman & Managing Director

Sanjay Kr. Gupta
Deputy CEO

Manoj Agarwal
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

(₹ in Lacs)

	Note	2013-14	2012-13
Income			
Revenue from Operations (Gross)	2.18	75,825.82	37,393.71
Less: Excise Duty (Refer Note 2.28)		(2,282.51)	(1,266.64)
Revenue from Operations (Net)		73,543.31	36,127.07
Other Income	2.19	132.06	73.15
Total Revenue		**73,675.37**	**36,200.22**
Expenses			
Cost of Materials consumed	2.20	29,941.03	4,989.40
(Increase)/Decrease in Inventories	2.21	(1,676.60)	(614.85)
Employee Benefit Expenses	2.22	4,426.67	2,694.33
Finance Costs	2.23	3,486.25	1,699.20
Depreciation and Ammortization Expenses		4,531.79	2,083.80
Other Expenses	2.24	34,388.35	22,358.10
Total Expenses		**75,097.49**	**33,209.99**
Profit/(loss) before exceptional and extraordinary items and tax		**(1,422.12)**	**2,990.23**
Exceptional items		(108.11)	118.46
Profit/(loss) before tax		(1,530.23)	3,108.69
Tax Expenses			
- Current Tax		-	623.35
Less: MAT Credit entitlement		-	(623.35)
- Net Current Tax		-	-
- Deferred Tax		(39.15)	(40.13)
Profit/(loss) for the year		**(1,569.38)**	**3,068.55**
Earnings Per Equity Share (face Value of ₹10/-each) (refer note-2.35)			
Basic Earning Per Share		(3.74)	7.32
Diluted Earning Per Share		(3.74)	7.32
Significant accounting policies and notes on accounts	1 & 2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For Kailash B. Goel & Co.
Firm Registration No. 322460E
Chartered Accountants

CA. Arun Kumar Sharma
Partner
Membership No. 057329

Place: Kolkata
17th May, 2014

For and on behalf of the Board of Directors

Sajjan Bhajanka
Chairman & Managing Director

Rajendra Chamaria
Vice Chairman & Managing Director

Sanjay Kr. Gupta
Deputy CEO

Manoj Agarwal
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

(₹ in Lacs)

PARTICULARS	2013-14	2012-13
A Cash flow from operating activities		
Net Profit/(Loss) before Tax	(1,530.23)	3,108.69
Adjustments for :		
Depreciation	4,531.79	2,083.80
Unrealised Foreign Exchange Gain/(Loss)- Net	(70.76)	78.06
Profit/Loss on Sale of Fixed Assets	(9.93)	(39.78)
Interest Income	(117.94)	(32.17)
Finance Costs	3,486.25	1,699.20
Provision for Income Tax & Wealth Tax	1.42	1.79
Provision for Bad and Doubtful Debts (Net of adjustments)	3.86	-
Operating Profit before working Capital changes	6,294.46	6,899.59
Adjustments for :		
(Increase) in Trade receivables	(7,990.00)	(529.39)
(Increase)/Decrease in Inventories	(1,644.33)	(345.89)
(Increase)/Decrease in Loans & Advances and other assets	(9,309.97)	(7,834.35)
(Increase)/Decrease in Trade Payables,Other Liabilities and Provisions	10,467.31	4,053.59
Cash Generated from Operations	(2,182.53)	2,243.55
Direct Taxes Paid	-	(490.00)
Net Cashflow from Operating Activities	**(2,182.53)**	**1,753.55**
B Cash flow from Investing Activities		
(Purchase)/sale of Fixed Assets (including WIP)- Net*	(5,057.84)	(9,941.92)
Fixed Deposits/Margin Money Given	(5.74)	(5.78)
(Purchase)/sale of Investments	(1.00)	(2,745.00)
Interest Received	117.94	32.17
Net Cash used in Investing Activities	**(4,946.64)**	**(12,660.52)**
C Cash Flow from Financing Activities		
Increase in Capital Reserve	-	5,848.91
Interest paid	(3,486.25)	(1,699.20)
Proceeds from/(Repayment of) Long Term Borrowings/Liabilities*	5,570.03	9,858.02
Proceeds from/(Repayment of) Short Term Borrowings	5,402.30	(2,121.01)
Dividend Paid	(1,048.03)	-
Corporate Dividend Tax Paid	(178.11)	-
Net Cash used in Financing Activities	6,259.93	11,886.73
Net Increase/(decrease) in cash and cash equivalents (A+B+C)	**(869.23)**	**979.75**
Cash and Cash Equivalents		
Opening Balance	**1,484.67**	**504.92**
Closing Balance	**615.44**	**1,484.67**

*Excluding notional foreign exchange loss of ₹128.90 lacs capitalised / reduced in accordance with para 46A of AS-11

As per our report of even date

For and on behalf of the Board of Directors

For Kailash B. Goel & Co.
Firm Registration No. 322460E
Chartered Accountants

Sajjan Bhajanka
Chairman & Managing Director

Rajendra Chamaria
Vice Chairman & Managing Director

CA. Arun Kumar Sharma
Partner
Membership No. 057329

Place: Kolkata
17th May, 2014

Sanjay Kr. Gupta
Deputy CEO

Manoj Agarwal
Company Secretary

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014

Corporate Information

Cement Manufacturing Company Limited (the company) is a public limited company domiciled in India and incorporated on 2nd November, 2001 under the provisions of Companies Act, 1956. The company is engaged in the manufacturing and selling of Cement Clinker & Cement. The manufacturing units are located at Lumshnong, Meghalaya and Guwahati, Assam. It is selling its product across north eastern and eastern states of India.

1. Significant Accounting Policies

1.1 Basis of Preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply with all material aspects with the Accounting Standards notified under the Companies (Accounting Standards) Rules 2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular No.15/2013 dated 13th September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. The financial statements are prepared under the historical cost convention on accrual basis and on the basis of going concern.

The accounting policies have been consistently applied by the company and except for the changes in accounting policy discussed below, are consistent with those used in previous year.

1.2 Use of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

1.3 Fixed Assets

Fixed Assets are stated at their cost of acquisition, installation or construction (net of Cenvat Credit and other recoverable, wherever applicable) less accumulated depreciation, amortization and impairment losses, except freehold land which is carried at cost. Cost comprises the purchase price, installation and attributable cost of bringing the asset to working condition for its intended use. The Company has adopted the provisions of para 46A of AS-11 "The Effects of Changes in Foreign Exchange Rates", accordingly exchange differences arising on restatement/settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets.

1.4 Capital Work In Progress

Capital work in progress is carried at cost comprising direct cost and pre-operative expenses during construction period to be allocated to the fixed assets on the completion of construction.

1.5 Expenditure during construction period

In case of new projects and substantial expansion of existing factories, expenditure incurred including trial production expenses net of revenue earned, and attributable interest and financing costs, prior to commencement of commercial production/ completion of project are capitalised.

1.6 Depreciation

Depreciation on Fixed Assets is provided on Written Down Value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Continuous process plants are identified based on a technical assessment and depreciated at the specified rate as per Schedule XIV to the Companies Act, 1956. Depreciation on additions to fixed assets is provided on a pro-rata basis from the date of put to use, and in the case of a new project, the same is provided on a pro-rata basis from the date of commencement of commercial production. Depreciation on assets sold, discarded, demolished or scrapped, is provided up to the date on which the said asset is sold, discarded, demolished or scrapped. Depreciation on amount capitalized pursuant to para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates' is provided over the balance useful life of depreciable capital assets. In respect of an asset for which impairment loss is recognized, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

1.7 Investments

Current Investments are stated at lower of cost and market value. Long-term investments are stated at cost after deducting provisions for permanent diminution in the value, if any.

1.8 Inventories

Raw Materials, stores and spares are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products, in which they will be used, are expected to be sold at or above cost. Work in progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials & labour and a part of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost of Inventories is computed on weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

1.9 Retirement Benefits

(i) Defined Contribution Plan

Employees benefits in the form of provident fund, ESIC and other labour welfare fund are considered as defined contribution plan and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due.

(ii) Defined Benefit Plan

Retirement benefits in the form of gratuity is considered as defined benefits obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

(iii) Other Long-term benefits

Long-term compensated absences are provided for on the actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

Actuarial gain/losses, if any, are recognized in the statement of profit and loss.

1.10 Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset is capitalized as part of cost of such asset till such time the asset is ready for its intended use. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use. All other borrowing costs are recognized as expense in the period in which they are incurred. Borrowing cost includes exchange differences arising from relevant foreign currency borrowings to the extent that they are regarded as an adjustment to the interest cost.

1.11 Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value by using weighted average cost of capital. A previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

1.12 Foreign Currency Transactions and Balances

Foreign Transactions in foreign currencies entered into by the Company are accounted at the exchanges rates prevailing on the date of the transactions. Exchange differences arising on settlement/restatement of short–term foreign currency monetary assets and liabilities of the Company are recognized as income or expenses in the Statement of Profit and Loss. All long term foreign currency monetary items consisting of liabilities which relate to acquisition of depreciable capital assets at the end of the period/year are restated at the rate prevailing at the Balance Sheet date. The exchange difference arising as a result is added to or deducted from the cost of the assets in accordance with para 46A of Accounting Standard 11'The Effects of Changes in Foreign Exchange Rates'. Profit/Loss arising out of cancellation of forward contracts is taken to revenue in the year of cancellation.

1.13 Taxes on Income

Tax expense comprises current and deferred tax. Provision for the current tax is made on the basis of taxable income for the current accounting year in accordance with the provisions of Income Tax Act, 1961.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized and carried forward for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The deferred tax in respect of timing differences which originate during the tax holiday period and is likely to reverse during the tax holiday period, is not recognized to the extent income is subject to deduction during the tax holiday period as per the requirements of the Income Tax Act 1961.Deferred tax assets/liabilities are reviewed at each Balance Sheet date based on developments during the year to reassess realization/ liabilities.

Minimum Alternate Tax (MAT) paid in the year is charged to the Statement of Profit and Loss as current tax. The company recognizes MAT credit available as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. The company reviews the carrying amount of MAT at each reporting date and writes down MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the company will pay normal income tax during the specified period.

1.14 Intangible Asset

An Intangible Asset is recognized when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. The depreciable amount of an intangible asset is allocated over its estimated useful life. Expenditure on purchased software and IT related expenditure are written off over a period of three years.

1.15 Research and Development Expenditure

Revenue expenditure is charged to the Statement of Profit & Loss and capital expenditure is added to the cost of fixed assets in the year in which they are incurred.

1.16 Provisions and Contingencies

A Provision is recognized for a present obligation as a result of past events if it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are determined based on best estimates of the amount required to settle the obligation at the Balance Sheet date. Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

1.17 Cash & Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand, demand deposits with banks and other short-term highly liquid investments/deposits with an original maturity of three months or less.

1.18 Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

1.19 Revenue Recognition

Items of Income and expenditure are recognized on accrual basis except stated otherwise. Sales are recorded on dispatch of goods to the customer. Sales include Excise Duty and are net of trade discounts, rebates, and returns. Interest income is recognized on time proportion basis.

1.20 Government Grants and Subsidies

Government grants/subsidies are recognized when there is reasonable certainty that the same will be received. Revenue grants in the nature of recoupment/reimbursement of any particular item of expenses are recognized in the Profit and Loss Account as deduction from related item of expenditure. Capital grants/subsidies are reduced from cost of respective fixed assets where it relates to specific fixed assets. Other grants/subsidies are credited to the capital reserve.

NOTE 2.1 Share Capital

(₹ in Lacs)

	31.03.14	31.03.13
Authorised Capital	6000.00	6000.00
6,00,00,000 (6,00,00,000 as at 31.03.13) Equity Shares of ₹10/- each fully paid		
Issued, Subscribed & fully Paid -up shares		
4,19,21,392 (4,19,21,392 as at 31.03.13) Equity Shares of ₹10/- each fully paid	4192.14	4192.14

a **Terms/Rights attached to equity shares**

The company has only one class of equity shares having par value of ₹10 per share. Each holder of Equity shares is entitlled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except in case of interim dividend.

In the event of liquidation of the company, the holders of the equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

b **Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Equity Shares	No of Shares	No of Shares
At the beginning of the year	41921392	41921392
Issued during the year	-	-
Outstanding at the end of the year	41921392	41921392

c **Shares held by Holding Company**

	No of Shares	No of Shares
Star Ferro and Cement Limited	29547500	29547500

d **Details of Shareholders holding more than 5% of Equity Share capital**

Name of the Shareholders	No of Shares % of holding	No of Shares % of holding
Star Ferro and Cement Limited	29547500	29547500
	70.48%	70.48%
Sajjan Bhajanka	3562500	3562500
	8.50%	8.50%
Rajendra Chamaria	3163742	3163742
	7.50%	7.50%

As per records of the company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represent both legal and beneficial ownership.

NOTE 2.2 Reserves & Surplus

(₹ in Lacs)

	31.03.14	31.03.13
Capital Reserve		
Balance as per last Account	6,719.90	870.99
Addition/(Deduction) during the year	-	5,848.91
	6,719.90	6,719.90
General Reserve		
Balance as per last Account	3,700.00	3,700.00
Addition/(Deduction) during the year	120.00	-
	3,820.00	3,700.00
Surplus as per Profit & Loss Account		
Balance as per last Account	39,173.45	36,104.89
Profit/(loss) for the year	(1,569.38)	3,068.55
Amount available for appropriation	37,604.07	39173.45
Less: Appropriations		
Transfer to General Reserve	(120.00)	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.2 Reserves & Surplus *(Contd.)*

(₹ in Lacs)

	31.03.14	31.03.13
Interim Dividend Paid	(1,048.03)	-
Corporate Dividend Tax	(178.11)	-
Total Appropriations	(1,346.15)	-
Net Surplus in the statement of profit and loss	36,257.92	39173.45
Total Reserves and Surplus	**46797.82**	**49593.35**

NOTE 2.3 Long Term Borrowings

(₹ in Lacs)

	31.03.14	31.03.13
Term Loans		
Rupee Loans from Banks (Secured)	18,382.01	20,188.10
Foreign Currency Loan from a Bank (Secured)	4,154.73	1,615.30
Loans and Advances from a Related Party (Unsecured)	9,208.00	1,813.00
Other Loans & Advances		
-Buyers Credit from banks on capital account (Secured)	-	2,478.54
-Hire Purchase Finance from banks (Secured)	53.38	75.00
	31,798.11	**26,169.95**
Less: Current Maturities of long term borrowings	(5,498.64)	(2,812.46)
	26,299.47	**23,357.49**

1. Rupee Term Loan of ₹196.43 lacs from a bank is repayable on quarter ending June 2014. The Loan is secured by first charge on fixed assets (except specifically charged assets) and pari passu second charge on current assets of the company's cement plant at Lumshnong, Meghalaya.
2. Rupee Term Loan of ₹5,685.58 lacs from a bank is repayable in further 13 equal quarterly instalments ending on June 2017. The Loan is secured by pari passu first charge on current assets and first charge on fixed assets of the company's cement plant at Lumshnong, Meghalaya.
3. Rupee Term Loans of ₹12,500.00 lacs and Foreign Currency Loan of ₹4,154.73 lacs from banks are repayable in further 23 unequal quarterly instalments ending on December 2019. The loans are secured by pari passu first charge on fixed assets and pari passu second charge on current assets of the Company's Cement grinding unit at Guwahati, Assam.
4. The term loans are also secured by personal guarantees of some of the directors of the Company.
5. Hire Purchase Finance is secured by hypothecation of respective vehicles and is repayable within three to four years having varying date of payment.
6. The Company does not have any continuing defaults in repayment of loans and interest as at reporting period.

NOTE 2.4 Deferred Tax Liabilities(Net)

(₹ in Lacs)

	31.03.14	31.03.13
Deferred Tax liability		
-Fixed assets	134.32	93.10
Gross deferred tax liability	134.32	93.10
Deferred Tax Assets		
-Gratuity & Leave encashment	2.29	-
-Trade receivable	29.59	29.82
Gross deferred tax asset	31.89	29.82
Net Deffered Tax (Assets)/Liability	**102.44**	**63.28**

NOTE 2.5 Other Long Term Liabilities

(₹ in Lacs)

	31.03.14	31.03.13
-Security Deposit	3,939.99	2,641.43
-Liability for Capital Expenditure	216.77	241.05
	4,156.76	**2,882.47**

NOTE 2.6 Long Term Provisions

(₹ in Lacs)

	31.03.14	31.03.13
Provisions for employee benefits		
- Leave Encashment	58.11	43.72
- Gratuity	45.93	31.79
	104.04	**75.51**

NOTE 2.7 Short Term Borrowings

(₹ in Lacs)

	31.03.14	31.03.13
Working Capital facilities from Banks		
- Cash Credit (Secured)	5,452.65	1,835.88
- Foreign Currency Demand Loan (Secured)	3,004.99	2,719.47
	8,457.64	**4,555.34**
Short Term Loan		
- From a Bank (Unsecured)	1,500.00	-
	9,957.64	**4,555.34**
a. The above amount includes		
Secured borrowings	8,457.64	4,555.34
Unsecured borrowings	1,500.00	-

b. Working Capital facilities of ₹3,517.26 Lacs from banks are secured by first pari passu charge on current assets of Lumshnong unit and second pari passu charge on fixed assets of the Company's cement plant at Lumshnong, Meghalaya.

c. Working capital facilities of ₹4,940.38 Lacs from banks are secured by pari passu first charge on current assets and pari passu second charge on fixed assets of the Company's Cement Grinding unit at Guwahati, Assam.

d The Working capital facilities have been guaranteed by some of the Directors of the Company.

e. Short term loan from a bank is due for repayment on June, 2014.

NOTE 2.8 Other Current Liabilities

(₹ in Lacs)

	31.03.14	31.03.13
Current Maturities of long term borrowings	5,498.64	2812.46
Interest accrued but not due on borrowings	0.19	0.26
Other Payables		
-Statutory Liabilities (including excise duty on finished goods ₹152.56 Lacs, ₹60.44 Lacs as at 31.03.13)	1,357.08	1036.66
-Creditors-Micro, Small & Medium Enterprises (refer Note 2.26)	-	-
-Creditors for capital goods	136.81	240.28
-Advances from customer	706.59	148.60
-Salary and Bonus to employees	228.60	117.46
-Other Liabilities	4,789.60	1655.57
	12,717.52	**6,011.27**

NOTE 2.9 Short Term Provisions

(₹ in Lacs)

	31.03.14	31.03.13
Provisions for Employee Benefits		
-Leave Encashment	9.38	5.01
-Gratuity	7.64	-
	17.02	**5.01**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.10 Fixed Assets

(₹ in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.13	Additions	Deduction/ Adjustment	Total as on 31.03.14	Upto 31.03.13	For the year	Deduction/ Adjustment	Total as on 31.03.14	As on 31.03.14	As on 31.03.13
TANGIBLE ASSETS										
A. Cement Plant at Lumshnong, Meghalaya										
Land & Site Development	1,971.02	17.31	-	1,988.33	-	-	-	-	1,988.33	1,971.02
Factory Building	4,208.92	8.73	-	4,217.65	1,891.86	231.74	-	2,123.60	2,094.05	2,317.06
Non Factory Building	2,183.35	5.26	-	2,188.61	445.05	87.07	-	532.12	1,656.48	1,738.29
Plant, Machinery & Equipments	13,155.69	699.47	5.21	13,849.95	7,708.34	829.68	3.73	8,534.29	5,315.66	5,447.35
Furniture & Fixtures	324.73	4.96	1.33	328.35	194.65	25.01	1.01	218.64	109.71	130.08
Office Equipments	302.04	27.26	3.84	325.45	129.40	26.04	2.04	153.39	172.06	172.64
Computers	297.96	22.67	-	320.63	231.71	31.65	-	263.36	57.27	66.25
Heavy Vehicles	708.62	13.50	21.93	700.20	373.66	101.15	15.38	459.44	240.76	334.96
Light Vehicles	322.92	17.64	26.97	313.59	184.05	37.90	17.88	204.08	109.51	138.87
Tools & Tackles	235.92	7.39	-	243.31	133.27	15.17	-	148.43	94.87	102.65
Total of Tangible Assets (A)	**23,711.17**	**824.18**	**59.28**	**24,476.07**	**11,291.99**	**1,385.40**	**40.04**	**12,637.35**	**11,838.71**	**12,419.17**
B. Cement Grinding Unit at Guwahati, Assam										
Land & Site Development	1,874.70	775.53	-	2,650.23	-	-	-	-	2,650.23	1,874.70
Factory Building	1,826.22	728.44	-	2,554.66	20.93	180.73	-	201.66	2,353.00	1,805.29
Non Factory Building	100.80	29.64	-	130.43	0.83	5.00	-	5.83	124.60	99.97
Plant, Machinery & Equipments	18,934.57	4,271.25	-	23,205.82	521.37	2,770.96	-	3,292.33	19,913.49	18,413.20
Furniture & Fixtures	121.92	46.91	-	168.83	50.18	23.05	-	73.23	95.60	71.74
Office Equipments	31.60	24.90	-	56.51	8.67	6.15	-	14.82	41.68	22.93
Computers	39.17	48.96	-	88.13	25.93	16.07	-	42.00	46.13	13.24
Heavy Vehicles	491.58	127.60	-	619.18	302.73	88.89	-	391.63	227.55	188.84
Light Vehicles	61.75	53.19	0.53	114.40	25.33	17.54	0.30	42.56	71.84	36.42
Tools & Tackles	163.07	56.84	-	219.91	59.78	20.37	-	80.15	139.76	103.29
Total - B	**23,645.37**	**6,163.25**	**0.53**	**29,808.10**	**1,015.74**	**3,128.77**	**0.30**	**4,144.21**	**25,663.88**	**22,629.64**
Total of Tangible Assets (A+B)	**47,356.54**	**6,987.43**	**59.81**	**54,284.16**	**12,307.73**	**4,514.17**	**40.34**	**16,781.56**	**37,502.60**	**35,048.81**
C. INTANGIBLE ASSETS										
Computer Software	91.73	21.69	-	113.42	70.74	17.62	-	88.36	25.06	20.99
Total Fixed Assets- (A + B +C)	**47,448.27**	**7,009.13**	**59.81**	**54,397.59**	**12,378.47**	**4,531.79**	**40.34**	**16,869.93**	**37,527.66**	**35,069.80**
Previous Year's figures	24,309.17	23,196.72	57.61	47,448.27	10,124.35	2,265.52	11.40	12,378.47	35,069.80	14,184.82

a. Depreciation for the period includes ₹ Nil (31.03.13 -₹181.72) capatlized as Pre-operative expenses

b. During the year Company has discarded fixed assets amounting to ₹59.81 Lacs, Previous Year ₹57.61 Lacs.

NOTE 2.11 Non Current Investments

(₹ in Lacs)

	31.03.14	31.03.13
Trade Investments (valued at cost unless stated otherwise)		
Investment in Unquoted Equity Instruments		
Investment in Subsidiaries		
Megha Technical & Engineers Private Limited	2,734.64	2,733.64
2,73,46,400 (2,73,36,400 as at 31.03.13) Equity Shares of ₹10 each fully paid up		
Star Cement Meghalaya Limited	17,414.67	17,414.67
2,60,88,656 (2,60,88,650 as at 31.03.13) Equity Shares of ₹10 each fully paid up		
Meghalaya Power Limited		
87,36,620 (87,36,620 as at 31.03.13) Equity Share of ₹10 each fully paid up	3,568.31	3,568.31
NE Hills Hydro Limited		
70,000 (70,000 as at 31.03.13) Equity Share of ₹10 each fully paid up	7.00	7.00
Investment in Others		
Adonis Vyapaar Private Limited	32.32	32.32
3,23,190 (3,23,190 as at 31.03.13) Equity Share of ₹10 each fully paid up		
Apanapan Viniyog Private Limited	32.32	32.32
3,23,190 (3,23,190 as at 31.03.13) Equity Share of ₹10 each fully paid up		
Ara Suppliers Private Limited	32.32	32.32
3,23,190 (3,23,190 as at 31.03.13) Equity Share of ₹10 each fully paid up		
Arham Sales Private Limited		
3,23,190 (3,23,190 as at 31.03.13) Equity Share of ₹10 each fully paid up	32.32	32.32
Non Trade Investments (valued at cost unless stated otherwise)		
Investment in Quoted Equity Instruments		
Reliance Power Limited	24.54	24.54
8,743 (8,743 as at 31.03.13) Equity Shares of ₹10/- each fully paid up		
	23,878.43	**23,877.43**
Aggregate amount of Quoted investment (market Value ₹6.15 Lacs as on 31.03.14)	24.54	24.54
Aggregate amount of Unquoted investments	23,853.90	23,852.90

NOTE 2.12 Long Term Loans and Advances

(₹ in Lacs)

	31.03.14	31.03.13
Capital Advances	-	103.87
Secured,Considered Good	2,703.37	2,608.00
Unsecured,Considered Good	**2,703.37**	**2,711.87**
Security Deposits		
Unsecured,Considered Good	153.03	122.32
	153.03	**122.32**
Loans and advances to related parties		
Unsecured,Considered Good	-	1,550.00
	-	**1,550.00**
Other Loans and Advances		
Unsecured,Considered Good	5,848.91	5,848.91
-Subsidies Receivable from Central/State Governments	1,052.80	-
-Balances Receivables with Excise Departments	**6,901.71**	**5,848.91**
	9,758.11	**10,233.11**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.13 Other Non Current Assets

(₹ in Lacs)

	31.03.14	31.03.13
Others		
Balance with banks held as margin money deposits with original maturity of more than 12 months	11.52	5.78
	11.52	**5.78**

NOTE 2.14 Inventories

(₹ in Lacs)

	31.03.14	31.03.13
Raw Materials [including in transit - ₹168.45 lacs, As at 31.03.13 ₹48.76 lacs]	1,161.98	652.97
Work - In - Process	23.55	3.54
Finished Goods [including in transit- ₹553.10 lacs, As at 31.03.13 ₹116.26 lacs]	2,545.68	889.09
Fuels, packing materials, etc.	1,268.58	1,914.94
Stores & Spares parts	2,068.36	1,963.27
	7,068.15	**5,423.82**

NOTE 2.15 Trade Receivables

(₹ in Lacs)

	31.03.14	31.03.13
Secured Considered Good		
Over Six months	61.55	2.16
Other debts	1,930.04	803.74
	1,991.59	**805.90**
Unsecured		
Over Six Months		
I Considered Good	68.82	6.23
Considered Doubtful	95.77	91.90
Less: Provision for Doubtful Debts	(95.77)	(91.90)
	68.82	**6.23**
II Claims due from Central Government - Considered Good	570.04	157.55
Other Debts		
I Considered Good	5,961.64	942.04
II Claims due from Central Government - Considered Good	1,309.87	4.11
	9,901.96	**1,915.82**

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could effect the customers's ability to settle. The Company normally provides for debtor dues oustanding for six months or longer from the invoice date, at at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

NOTE 2.16 Cash & Cash Equivalents

(₹ in Lacs)

	31.03.14	31.03.13
Cash on Hand	36.64	10.80
Cheques In Hand	269.88	36.75
Balance with Banks		
- In current accounts	72.57	1,259.50
- In Fixed Deposit accounts with original maturity of upto 3 months	-	150.38
Balance with banks held as margin money deposits with original maturity of more than 3 months and upto 12 months	236.34	27.23
	615.43	1,484.67

NOTE 2.17 Short Term Loans and Advances

(₹ in Lacs)

	31.03.14	31.03.13
Loans and advances to related parties		
Unsecured,Considered Good	35.00	35.00
	35.00	35.00
Others		
Unsecured, Considered Good		
-Advances to suppliers	581.86	750.64
-Loan and advances to employees	42.17	52.26
-Balances with/Receivables from Government authorities	3,262.28	688.86
-Subsidies Receivable from Central/State Governments	7,749.75	673.99
-Advances for Services & Expenses	1,927.98	1,764.52
-Advance Income Tax (net of provision for taxation including MAT)	6,796.62	6,639.29
-Prepaid expenses	154.13	160.24
	20,514.77	10,729.80
	20,549.77	10,764.80

NOTE 2.18 Revenue from Operations

(₹ in Lacs)

	2013-14	2012-13
Sale of Products	75,505.57	37260.57
Add: Captive Consumption	122.74	38.71
Other Operating Income		
Shortage Recovery of Cement & Clinker	78.35	57.07
Royalty Income	7.91	11.54
Sale of Scrap	111.25	25.82
Revenue from operation (gross)	75825.82	37,393.71

(₹ in Lacs)

	2013-14	2012-13
Details of Products Sold		
Cement	74,550.71	27670.97
Fly ash	-	0.71
Clinker	954.86	9588.89
	75,505.57	37,260.57

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.19 Other Income

(₹ in Lacs)

	2013-14	2012-13
Interest Income on		
-Bank deposits	8.59	4.81
-Loans	100.66	19.86
-others	8.70	7.50
Other Non Operating Income	14.12	40.98
	132.06	73.15

NOTE 2.20 Cost of Materials Consumed

(₹ in Lacs)

	2013-14	2012-13
Inventory at the beginning of the year	652.97	288.35
Add: Purchases	30,450.03	5,354.02
	31,103.01	5642.37
Less :Inventory at the end of the year	1,161.98	652.97
Cost of Materials Consumed	**29,941.03**	**4989.40**

(₹ in Lacs)

	2013-14	2012-13
Details of Raw materials Consumed		
Limestone	666.41	1592.25
Shale	43.95	113.95
Iron Mill Scale	104.84	470.54
Sandstone	0.05	14.98
Gypsum	371.86	246.47
Fly ash	4644.73	2471.94
Clinker	24077.53	55.63
Iron Ore (Fine)	31.66	17.29
Others	-	6.35
	29941.03	4989.40

NOTE 2.21 (Increase)/Decrease in Inventories

(₹ in Lacs)

	2013-14	2012-13
Work in Process		
Opening Stock	3.54	21.86
Closing Stock	23.55	3.54
	(20.01)	18.31
Finished Goods		
Opening Stock	889.09	255.93
Closing Stock	2,545.68	889.09
	(1656.59)	(633.16)
(Increase)/Decrease	(1,676.60)	(614.85)

(₹ in Lacs)

	2013-14	2012-13
Details of Finished goods		
Cement	1,656.66	356.12
Clinker	889.01	532.98
	2,545.68	889.09

NOTE 2.22 Employee Benefit Expenses

(₹ in Lacs)

	2013-14	2012-13
Salaries & Wages	4,123.70	2,511.56
Contribution to Provident Fund and other funds	118.20	71.37
Welfare Expenses	184.77	111.40
	4,426.67	2,694.33

NOTE 2.23 Finance Costs

(₹ in Lacs)

	2013-14	2012-13
Interest Expense		
-On Fixed Loans	2,300.91	618.27
-On Other Loans	918.74	858.14
Exchange Fluctuation (Gain)/loss to the extent considered as an adjustment to borrowing costs	174.16	164.07
Other finance Costs	92.44	58.73
	3,486.25	1,699.20

NOTE 2.24 Other Expenses

(₹ in Lacs)

	2013-14	2012-13
Consumption of Stores & Spares	701.15	499.24
Packing Materials	2,395.57	818.28
Power & Fuel	7,079.95	11,341.86
Repairs & Maintenance		
- Building	325.01	135.20
- Plant & Machinery	539.68	298.85
- Others	141.49	94.18
Heavy Vehicle/Equipment Running Expenses	714.17	367.57
Excise Duty variation on opening/closing stock	200.18	42.24
Travelling and Conveyance	470.77	225.30
Insurance (Net)	101.67	73.83
Rent, Rates & Taxes	794.16	288.88
Research & Development Expenses	50.28	28.40
Charity & Donation	139.90	179.09
Miscellaneous Expenses	1,043.93	647.83
Advertisement & Publicity	1,888.29	268.69
Outward Freight Charges (Net)	11,652.95	4,441.42
Sales Promotion Expenses	1,092.48	559.51
Commission, Discount & Incentives on Sale	5,056.73	2,047.72
	34388.35	22358.10

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.25

In the opinion of the Management and to the best of their knowledge and belief the value on realization of loans, advances and other current assets in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet.

NOTE 2.26

There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small and Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made. The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of the information available with the company.

NOTE 2.27

The Company deals in only one Segment i.e. Cement and only in India. There is no separate reportable segment as required by Accounting Standard 17- 'Segment Reporting'. The Company caters to the needs of the domestic market. As such there are no reportable geographical segments.

NOTE 2.28

Against company's claim for refund of differential excise duty, Hon'ble High Court at Guwahati (Shillong Bench) vide its order dated 12th September, 2012, has directed the Excise Department to release 50% of the disputed amount against furnishing of solvent surety in line with the Interim Order dated 13th January, 2012 passed by Hon'ble Supreme Court in case of "VVF Ltd and others". Based on the said judgment of the Hon'ble High Court in favour of the company and legal opinion obtained by the company, the differential excise duty refund of ₹1818.29 lacs has been recognized as revenue in the book of accounts.

NOTE 2.29 Related party Disclosures

A	Names of the related parties where control exists	Nature of relationship
	Star Ferro and Cement Limited (SFCL)	Holding Company
	Megha Technical & Engineers Private Limited (MTEPL)	Subsidiary Company
	Star Cement Meghalaya Limited (SCML)	Subsidiary Company
	Meghalaya Power Limited (MPL)	Subsidiary Company
	NE Hills Hydro Limited (NEHL)	Subsidiary Company
B	Others-with whom transactions have taken place during the year	
I	Names of other related parties	Nature of relationship
	Century Plyboards (India) Limited (CPIL)	Associate
	Star India Cement Limited (SICL)	Associate
II	Key Management Personnel	
	Names of other related parties	Nature of relationship
	Mr. Sajjan Bhajanka	Chairman & Managing Director
	Mr. Rajendra Chamaria	Vice Chairman & Managing Director
	Mr. Sanjay Agarwal	Joint Managing Director
	Mr. Prem Kumar Bhajanka	Managing Director (upto 31.08.13)
	Mr. Pankaj Kejriwal	Director
	Mr. Atul Rasiklal Desai	Chief Operating Officer (upto 04.03.2013)
	Mr. Sanjay Kr. Gupta	Deputy CEO (w.e.f. 01.10.2013)
	Mr. Sanjay Kr.Gupta	CFO & President (upto 30.09.2013)
III	Relatives of Key Management Personnel	
	Names of the related parties	Nature of relationship
	Mrs. Renu Chamaria	Wife of Mr. Rajendra Chamaria
	Mr. Rahul Chamaria	Son of Mr. Rajendra Chamaria
	Mr. Sachin Chamaria	Son of Mr. Rajendra Chamaria

Details of transactions between the Company and related parties and the status of outstanding balance as at 31st March, 2014

(₹ in Lacs)

Sl No.	Types of Transactions	Holding Company		Subsidiaries		Associates		Key Management Personnel	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
1	Purchase Transactions								
	SFCL	29.39	22.67		-	-	-	-	-
	MTEPL	-	-	44.67	128.17	-	-	-	-
	MPL	-	-	2,143.71	2,115.58	-	-	-	-
	SCML	-	-	23,634.69	122.38	-	-	-	-
	CPIL	-	-	-	-	21.29	9.95	-	-
2	Sale Transactions								
	SFCL	9.75	1.20	-	-	-	-	-	-
	MTEPL	-	-	684.50	10,041.28	-	-	-	-
	SCML	-	-	59.35	274.56	-	-	-	-
	MPL	-	-	17.93	252.26	-	-	-	-
	CPIL	-	-	-	-	11.16	7.15	-	-
3	Purchase of Capital Goods								
	MTEPL	-	-	43.23	-	-	-	-	-
	SCML	-	-	7.10	21.20	-	-	-	-
4	Sale of Capital Goods								
	SCML	-	-	5.79	-	-	-	-	-
5	Services Rendered								
	MTEPL	-	-	8.86	13.04	-	-	-	-
6	Services Received								
	SCML	-	-	1.98	-	-	-	-	-
7	Loan & advances Taken								
	MTEPL	-	-	8101.00	3,760.00	-	-	-	-
	CPIL	-	-	-	-	2400.00	-	-	-
8	Loan & advances repaid								
	MTEPL	-	-	706.00	-	-	-	-	-
	CPIL	-	-	-	-	2400.00	-	-	-
9	Loans & advances Given								
	SFCL	360.00	600.00	-	-	-	-	-	-
	MPL	-	-	-	1,550.00	-	-	-	-
	CPIL	-	-	-	-	-	150.00	-	-
10	Loans & advances Given-repaid								
	SFCL	360.00	600.00	-	-	-	-	-	-
	MPL	-	-	1550.00	-	-	-	-	-
	CPIL	-	-	-	-	-	150.00	-	-
11	Share Application Money paid								
	SCML	-	-	-	2745.00	-	-	-	-
12	Dividend Paid								
	SFCL	738.69	-	-	-	-	-	-	-
	Mr. Sajjan Bhajanka	-	-	-	-	-	-	89.06	-
	Mr. Rajendra Chamaria	-	-	-	-	-	-	79.09	-
	Mr. Rahul Chamaria	-	-	-	-	-	-	15.50	-
	Mr. Sachin Chamaria	-	-	-	-	-	-	15.00	-
	Smt. Renu Chamaria	-	-	-	-	-	-	8.17	-
	Others	-	-	-	-	-	-	61.41	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

(₹ in Lacs)

Sl No.	Types of Transactions	Holding Company		Subsidiaries		Associates		Key Management Personnel	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
13	Investments made								
	SCML	-	-	-	2745.00	-	-	-	-
14	Interest Paid								
	MTEPL	-	-	347.16	486.68	-	-	-	-
	CPIL	-	-	-	-	20.94	-	-	-
15	Interest received								
	SFCL	0.91	2.38	-	-	-	-	-	-
	MPL	-	-	96.25	12.45	-	-	-	-
	CPIL	-	-	-	-	-	0.23	-	-
16	Remuneration Paid								
	Mr. Sajjan Bhajanka	-	-	-	-	-	-	48.00	36.00
	Mr. Rajendra Chamaria	-	-	-	-	-	-	48.00	66.00
	Mr. Sanjay Agarwal	-	-	-	-	-	-	48.00	36.00
	Mr. Pankaj Kejriwal	-	-	-	-	-	-	18.00	18.00
	Mr. Prem Bhajanka	-	-	-	-	-	-	28.00	-
	Mr. Atul Rasiklal Desai	-	-	-	-	-	-	-	84.03
	Mr. Sanjay Kumar Gupta	-	-	-	-	-	-	50.04	35.80
	Mr. Rahul Chamaria	-	-	-	-	-	-	30.00	21.00
	Mr. Sachin Chamaria	-	-	-	-	-	-	24.00	6.00
17	Balance Outstanding as at 31.03.14								
	Debtors								
	CPIL	-	-	-	-	-	0.09	-	-
	Advance from Customers								
	MTEPL	-	-	165.50	-	-	-	-	-
	Creditors								
	MPL	-	-	0.45	46.36	-	-	-	-
	SCML	-	-	3,945.69		-	-	-	-
	Loans (Given)								
	MPL	-	-	-	1,550.00	-	-	-	-
	SICL	-	-	-	-	35.00	35.00	-	-
	Loans (Taken)								
	MTEPL	-	-	9,208.00	1,813.00	-	-	-	-
	Guarantees Obtained								
	Mr. Sajjan Bhajanka	-	-	-	-	-	-	38,136.74	26,358.75
	Mr. Rajendra Chamaria	-	-	-	-	-	-	38,136.74	26,358.75
	Mr. Sanjay Agarwal	-		-	-	-	-	38,136.74	26,358.75
	Guarantees Provided								
	MTEPL	-	-	4,350.00	3,013.81	-	-	-	-
	SCML	-	-	39,579.84	39,632.00	-	-	-	-
	Investments								
	MTEPL	-	-	2,734.64	2,733.64	-	-	-	-
	SCML	-	-	17,414.67	17,414.67	-	-	-	-
	MPL	-	-	3,568.31	3,568.31	-	-	-	-
	NE Hills Hydro Limited	-	-	7.00	7.00	-	-	-	-

NOTE 2.30 Contingent Liabilities

(₹ in Lacs)

	31-03-14	31-03-13
Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (Net of advances)	76.63	159.81
Claims against the company not acknowledge as debts – Excise VAT/Income Tax matters/Royalty etc.	92.89	1,696.43
Guarantee provided to banks against borrowings of subsidiaries	43,929.84	42,645.81
Other Guarantees	379.18	2,477.30
Bill of exchange discounted with banks	-	133.01
Export obligations under EPCG scheme	17.62	45.58
Bank Guarantees issued by Banks	3,931.30	119.73
Solvent surety furnished to Excise Department against differential excise duty refund	920.20	-

NOTE 2.31 Borrowing Cost Capitalized

(₹ in Lacs)

	31-03-14	31-03-13
Borrowing Cost capitalized	436.44	1354.01

NOTE 2.32 Payments to Auditors

(₹ in Lacs)

	31-03-14	31-03-13
As Auditor		
-Statutory Audit Fees	9.00	7.00
-Tax Audit Fees	2.00	1.25
In Other Capacity		
Other Services (Certification Fees)	3.25	1.37
Reimbursement of Expenses	0.03	0.03
Total	14.28	9.65

NOTE 2.33 Employee Defined Benefits

Defined Contribution Plans

(a) The Company has recognized an expense of ₹118.20 Lacs (Previous year – ₹71.37 Lacs) towards the defined contribution plans.

(b) The company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to Gratuity on terms not less than the provisions of The Payment of Gratuity Act, 1972. The scheme is funded with an insurance company. The following tables summarize the components of net benefit expenses recognized in statement of profit and loss and the funded status and amounts recognized in the balance sheet for gratuity. Under leave encashment scheme, the company allows its employees to encash accumulated leave over and above thirty days at any time during the year. The scheme is not funded by company.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

(₹ in Lacs)

	2013-14		2012-13	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
I Expense recognized in the Statement of Profit and Loss				
1. Current Service Cost	25.20	18.23	16.37	0.80
2. Interest Cost	9.62	5.23	6.73	4.55
3. Employee Contribution	-	-	-	-
4. Expected Return on Plan Assets	(5.78)	-	(5.34)	-
5. Actuarial (Gains)/Losses	18.46	23.88	(8.82)	15.48
6. Past Service Cost	-	-	-	-
7. Settlement Cost	-	-	-	-
8. Losses/(gains) on acquisition/divesture	(5.33)	-	5.04	-
9. Total Expense	41.97	47.35	13.98	20.84
II Net Asset/(Liability) recognized in the Balance Sheet				
1. Present Value of Defined Benefit Obligation	125.86	67.49	87.97	48.73
2. Fair Value of Plan Assets	72.28	-	56.18	-
3. Funded Status [Surplus/(Deficit)]	(53.58)	(67.49)	(31.79)	(48.73)
4. Net Asset/(Liability)	(53.58)	(67.49)	(31.79)	(48.73)
III Change in Obligation during the Year				
1. Present value of Defined Benefit Obligation at the beginning of the year	87.97	48.73	80.26	52.41
2. Current Service Cost	25.20	18.23	16.37	0.80
3. Interest Cost	9.62	5.23	6.73	4.55
4. Settlement Cost	-	-	-	-
5. Past Service Cost	-	-	-	-
6. Employee Contribution	-	-	-	-
7. Liabilities assumed on acquisition/(settled on divesture)	-	-	-	-
8. Actuarial (Gains)/Losses	18.46	23.88	(8.82)	15.48
9. Benefits Payments	(15.39)	(28.59)	(6.57)	(24.51)
10. Present Value of Defined Benefit Obligation at the end of the year	125.86	67.49	87.97	48.73
IV Change in assets during the Year				
1. Plan Assets at the beginning of the year	56.18	-	62.45	-
2. Assets acquired on amalgamation in previous year	-	-	-	-
3. Settlements	-	-	-	-
4. Expected return on plan assets	5.78	-	5.34	-
5. Contributions by employer	20.19	28.59	-	24.51
6. Actual Benefit Paid	(15.39)	(28.59)	(6.57)	(24.51)
7. Actuarial Gains/(Losses)	5.53	-	(5.04)	-
8. Plan Assets at the end of the year	72.28	-	56.18	-
9. Actual Return on plan assets	11.31	-	-	-
V The major categories of plan assets as a percentage of the fair value of total plan assets				
1. Funded with insurer	100.00%	-	100.00%	-
VI The Principal actuarial assumptions are as follows				
Discount rate	8.25%	8.25%	8.25%	8.25%
Expected Return on plan assets	9.00%	-	9.00%	-
Salary Increase	5.00%	5.00%	5.00%	5.00%
Withdrawal rates (Varying between per annum depending upon the duration and age of the employees)	Varying between 8% per annum to 1% per annum depending on duration and age of the employees			

NOTE 2.34

During the year ended 31st March, 2014, in line with the Notification dated 29th December, 2011 issued by the Ministry of Corporate Affairs, the Company has availed the option given in paragraph 46A of the Accounting Standard 11 (AS-11) - The Effects of Changes in Foreign Exchange Rates". Accordingly, the Company has, with effect from 1st April, 2013, depreciated the foreign exchange (gain)/loss arising on revaluation on long term foreign Currency monetary items in so far as they relate to the acquisition of depreciable capital assets over the balance life of such assets. The depreciated portion of net foreign exchange (gain)/loss on such long term foreign currency monetary items for the year ended 31st March, 2014 is ₹0.19 Lacs. The unamortized portion carried forward as at 31st March, 2014 is ₹456.53 Lacs. Had the Company, followed the earlier policy of charging the entire amount to the Statement of Profit and Loss, the profit before tax for the year would have been lower by ₹456.53 Lacs.

NOTE 2.35 Earning Per Share (EPS)

(₹ in Lacs)

	31-03-14	31-03-13
Profit/(Loss) Attributable to Equity Shareholders	(1569.38)	3,068.55
Equity Share Capital	4192.14	4,192.14
Weighted average number of equity shares outstanding for basic EPS (Face value of ₹10/-per share)	4,19,21,392	4,19,21,392
Weighted average number of equity shares outstanding for diluted EPS (Face value of ₹10/-per share)	4,19,21,392	4,19,21,392
Basic Earnings Per Share (₹)	(3.74)	7.32
Diluted Earning Per Share(₹)	(3.74)	7.32

NOTE 2.36 Donations to Political Parties

(₹ in Lacs)

Name of the Party	2013-14	2012-13
Bhartiya Janta Party	-	5.00

NOTE 2.37

a) Value of imported and indigenous stores & spare parts consumed and their percentage to total consumption:

	2013-14		2012-13	
	(₹ in Lacs)	%	(₹ in Lacs)	%
Stores & Spares				
Imported	52.03	7.42	-	-
Indigenous	649.12	92.58	499.24	100.00
	701.15	**100.00**	**499.24**	**100.00**

b) Value of Export calculated on FOB basis

(₹ in Lacs)

	2013-14	2012-13
Clinker	-	25.42

c) Expenditure incurred in foreign currency:

(₹ in Lacs)

	2013-14	2012-13
Interest	265.11	217.30
Professional & Consulting Fees	-	3.59
Stores, Spare parts and Components	23.03	4.22
Travelling Expenses	0.35	1.53
Total	**288.49**	**226.64**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

c) Expenditure incurred in foreign currency:

	As on 31.03.14			As on 31.03.13		
	Foreign Currency	In Million	(₹ in Lacs)	Foreign Currency	In Million	(₹ in Lacs)
FCNRB Demand Loan	USD	5.00	3004.99	USD	5.00	2719.47
ECB	USD	6.91	4154.73	USD	2.97	1615.33
Buyers Credit	EURO	-	-	EURO	3.56	2478.54

NOTE 2.38

Previous year's figures have been regrouped and/or rearranged wherever necessary, to confirm to current year's classification.

In terms of our report of even date

For and on behalf of the Board of Directors

For Kailash B. Goel & Co.
Firm Registration No. 322460E
Chartered Accountants

Sajjan Bhajanka
Chairman & Managing Director

Rajendra Chamaria
Vice Chairman & Managing Director

CA. Arun Kumar Sharma
Partner
Membership No. 057329

Place: Kolkata
17th May, 2014

Sanjay Kr. Gupta
Deputy CEO

Manoj Agarwal
Company Secretary

STATEMENTS PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES

Sl. No.	Name of Subsidiary Companies	Megha Technical & Engineers Private Ltd.	Star Cement Meghalaya Limited	Meghalaya Power Limited	NE Hills Hydro Limited
1	Financial year of the subsidiary company ended on	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014
2	Date from which they have become subsidiary	23rd March, 2006	2nd June, 2007	1st April, 2010	3rd February, 2011
3	Shares of the Subsidiary held by the Company as on 31st March, 2014				
	a) Number of shares	2,73,46,400	2,60,88,656	87,36,620	70,000
	b) Face value of shares	₹10/-	₹10/-	₹10/-	₹10/-
	c) Extent of Holding	100%	87.49%	51%	100%
4	Net aggregate amount of Profit/(Loss) of the subsidiary, so far as it concerns members of Cement Manufacturing Company Limited.				
	a) Not Dealt with in the accounts of the Holding Company				
	(i) For the financial year ended 31st March, 2014	₹121.80 Lacs	₹955.47 Lacs	₹225.99 Lacs	N.A
	(ii) For the previous financial years of the Subsidiary Company since they become the holding Company's subsidiaries	₹17,967.79 Lacs	₹(2554.05)Lacs	₹1,224.56Lacs	N.A
	b) Dealt with in the accounts of the Holding Company				
	(i) For the financial year ended 31st March, 2014	₹347.16 Lacs	NiL	₹96.25 Lacs	N.A
	(ii) For the previous financial years of the Subsidiary Company since they become the holding Company's subsidiaries	₹431.38 Lacs	NiL	₹154.28 Lacs	N.A

(₹ in Lacs)

Name of the Subsidiary Companies	Megha Technical & Engineers Private Ltd.	Star Cement Meghalaya Limited	Meghalaya Power Limited	NE Hills Hydro Limited
Capital	2,734.64	2,981.78	1,713.06	7.00
Reserves	19,226.77	31,170.52	7,536.80	-
Total Assets	27,972.50	87,311.92	30,972.42	7.15
Total Liabilities	27,972.50	87,311.92	30,972.42	7.15
Details of Investments (except investment in subsidiary)	-	-	-	2.70
Gross Turnover	23,286.45	37,557.33	8,607.01	-
Profit before Taxation	153.60	618.03	284.29	-
Provision for Taxation	(31.79)	(337.44)	(132.96)	-
Profit/(Loss) after Taxation	121.80	955.47	151.33	-
Proposed Dividend	-	-	-	-

For and on behalf of the Board of Directors

Sajjan Bhajanka
Chairman & Managing Director

Rajendra Chamaria
Director

Sanjay Kr. Gupta
Deputy CEO

Manoj Agarwal
Company Secretary

Place: Kolkata
17th May, 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of,
CEMENT MANUFACTURING COMPANY LIMITED

We have audited the accompanying Consolidated Balance Sheet of Cement Manufacturing Company Limited (" the Company ") and its subsidiaries, which comprise the Consolidated Balance Sheet as at 31st March 2014, the Consolidated Statement of Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the Accounting principles generally excepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 read with General Circular No. 15/2013 dated 13th September, 2013, issued by Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of the report of the other auditor on the financial statement of the subsidiary as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :

(i) in the case of the Consolidated Balance Sheet of the state of affairs of the Company and its subsidiaries as at 31st March 2014;

(ii) in the case of the Consolidated Statement of Profit and Loss account, of the Loss of the Company and Profit/Loss of its its subsidiaries for the year ended on that date; and

(iii) in the case of Consolidated Cash Flow Statement, of the Consolidated Cash flows of the Company and its subsidiaries for the year ended on that date.

Other Matters

We did not audit the financial statements of a subsidiary (NE Hills Hydro Limited), whose financial statements reflect total assets worth of ₹7.15 Lacs as at 31st March, 2014. These financial statements and other financial information have been audited by other auditor whose report have been furnished to us, and our opinion is based solely on the report of the other auditor.

For KAILASH B. GOEL & CO.
Firm Registration No. 322460E
Chartered Accountants

CA. Arun Kumar Sharma
Partner
Membership No. 057329

Place : Kolkata
Date : 17th May, 2014

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2014

(₹ in Lacs)

	Note	31.03.14	31.03.13
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2.1	4,192.14	4,192.14
Reserves and Surplus	2.2	80,097.13	81,735.86
		84,289.27	85,928.00
Minority Interest		4,506.23	4,440.44
Non-current liabilities			
Long Term Borrowings	2.3	64,859.67	75,454.59
Deferred Tax Liabilities (Net)	2.4	369.42	617.04
Other Long Term Liabilities	2.5	7,281.79	7,423.38
Long Term Provisions	2.6	155.78	135.51
		72,666.66	83,630.53
Current liabilities			
Short Term Borrowings	2.7	17,000.14	7,522.63
Trade Payables		7,233.20	3,268.25
Other Current Liabilities	2.8	25,882.72	12,946.67
Short Term Provisions	2.9	30.75	13.69
		50,146.81	23,751.24
Total		211,608.97	197,750.21
ASSETS			
Non-current Assets			
Fixed Assets			
-Tangible Assets	2.10	114,232.38	113,009.29
-Intangible Assets	2.10	29.89	30.11
-Capital Work in Progress (including pre-operative expenses)		9,923.24	12,869.14
		124,185.51	125,908.54
Non Current Investments	2.11	152.86	152.86
Long Term Loans and Advances	2.12	26,889.12	27,105.86
Other Non Current Assets	2.13	51.03	57.20
		151,278.52	153,224.46
Current Assets			
Inventories	2.14	15,547.04	12,176.44
Trade Receivables	2.15	12,501.30	8,273.34
Cash and Cash Equivalents	2.16	1,141.25	2,500.05
Short Term Loans and Advances	2.17	31,140.86	21,575.92
		60,330.45	44,525.75
Total		211,608.97	197,750.21
Significant accounting policies and notes on accounts	1 & 2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For Kailash B. Goel & Co.
Firm Registration No. 322460E
Chartered Accountants

CA. Arun Kumar Sharma
Partner
Membership No. 057329

Place: Kolkata
17th May, 2014

For and on behalf of the Board of Directors

Sajjan Bhajanka
Chairman & Managing Director

Rajendra Chamaria
Vice Chairman & Managing Director

Sanjay Kr. Gupta
Deputy CEO

Manoj Agarwal
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

(₹ in Lacs)

	Note	2013-14	2012-13
Income			
Revenue from Operations (Gross)	2.18	102,933.86	62,543.34
Less: Excise Duty- (Refer Note 2.26)		(134.91)	(3,046.21)
Revenue from Operations (Net)	2.19	102,798.95	59,497.13
Other Income		262.00	190.57
Total Revenue		**103,060.95**	**59,687.70**
Expenses			
Cost of Materials consumed	2.20	16,611.15	9,458.71
(Increase)/Decrease in Inventories	2.21	(1,602.24)	(1,931.31)
Employee Benefit Expenses	2.22	7,340.92	3,961.47
Finance Costs	2.23	8,344.19	2,682.36
Depreciation and Amortization Expenses		15,683.18	4,477.46
Other Expenses	2.24	57,060.63	36,151.15
Total Expenses		**103,437.83**	**54,799.83**
Profit/(Loss) before exceptional and extraordinary items and tax		**(376.87)**	**4,887.87**
Exceptional items		(102.39)	9.80
Profit/(loss)before tax		(479.26)	4,897.67
Tax Expenses			
-Current Tax		87.87	1,417.72
Less: MAT Credit entitlement		-	(1,417.72)
-Net Current Tax		(87.87)	-
-MAT Credit Entitlement for earlier years		(26.61)	-
-Income Tax for earlier years		0.40	-
-Deferred Tax		247.62	(578.68)
Profit/(loss) for the year		**(345.73)**	**4,318.99**
-Minority Interest		(74.15)	(28.07)
Profit/(loss) for the year (After Miniority Interest)		**(419.88)**	**4,290.92**
Earnings Per Equity Share (face Value of ₹10/- each) (refer note-2.35)			
Basic Earning Per Share		(1.00)	10.24
Diluted Earning Per Share		(1.00)	10.24
Significant accounting policies and notes on accounts	1 & 2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For Kailash B. Goel & Co.
Firm Registration No. 322460E
Chartered Accountants

CA. Arun Kumar Sharma
Partner
Membership No. 057329

Place: Kolkata
17th May, 2014

For and on behalf of the Board of Directors

Sajjan Bhajanka
Chairman & Managing Director

Rajendra Chamaria
Vice Chairman & Managing Director

Sanjay Kr. Gupta
Deputy CEO

Manoj Agarwal
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

(₹ in Lacs)

PARTICULARS	2013-14	2012-13
A Cash flow from operating activities		
Net Profit/(Loss) before Tax and Exceptional Items	(376.87)	4,887.87
Adjustments for :		
Depreciation	15,683.18	4,477.46
Unrealised Foreign Exchange Gain/(Loss)- Net	(70.76)	19.48
Profit/Loss on Sale of Fixed Assets- Net	(9.93)	(8.47)
Interest Income	(262.00)	(190.57)
Finance Cost	8,344.19	2,682.36
Provision for Wealth Tax	(1.61)	(2.04)
Provision for Bad and Doubtful Debts (Net of adjustments)	1.06	(46.78)
Operating Profit before Working Capital changes	23,307.26	11,819.31
Adjustments for :		
(Increase)/Decrease in Trade receivables	(4,229.01)	1,470.48
(Increase) in Inventories	(3,370.60)	(4,402.44)
(Increase)/Decrease in Loans & Advances and other assets	(9,348.21)	(20,422.39)
(Increase)/Decrease inTrade Payables,Other Liabilities and Provisions	16,939.94	5,244.32
Cash Generated from Operations	23,299.38	(6,290.71)
Direct Taxes- Refund/(Paid) - Net	-	(1,127.97)
Net Cashflow from Operating Activities	**23,299.38**	**(7,418.68)**
B Cash flow from Investing Activities		
(Purchase)/sale of Fixed Assets(including Capital WIP)- Net*	(11,715.42)	(31,685.84)
Fixed Deposits/Margin Money Given/(Repaid)	6.17	(57.20)
Interest Received	262.00	190.57
Net Cash used in Investing Activities	**(11,447.25)**	**(31,552.47)**
C Cash Flow from Financing Activities		
Interest paid	(8,344.19)	(2,682.36)
Proceeds from/(Repayment of) Long Term Borrowings/Liabilities*	(12,900.56)	22,028.80
Proceeds from/(Repayment of) Short Term Borrowings	9,477.51	(1,410.42)
Increase in Capital Reserve/Share capital	(217.54)	21,218.85
Dividend Paid	(1,048.03)	-
Corporate Dividend Tax Paid	(178.11)	-
Net Cash used in Financing Activities	**(13,210.93)**	**39,154.87**
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	**(1,358.80)**	**183.72**
Cash and Cash Equivalents		
Opening Balance	**2,500.05**	**2,316.33**
Closing Balance	**1,141.25**	**2,500.05**

*Excluding national foreign exchange loss of ₹2,234.80 lacs capitalised / reduced in accordance with para 46A of AS-11

As per our report of even date

For and on behalf of the Board of Directors

For Kailash B. Goel & Co.
Firm Registration No. 322460E
Chartered Accountants

Sajjan Bhajanka
Chairman & Managing Director

Rajendra Chamaria
Vice Chairman & Managing Director

CA. Arun Kumar Sharma
Partner
Membership No. 057329

Place: Kolkata
17th May, 2014

Sanjay Kr. Gupta
Deputy CEO

Manoj Agarwal
Company Secretary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014

Principles of Consolidation

(a) In accordance with Accounting Standard 21 on "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India, the consolidated financial statements have been prepared on line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and the un-realized profits/losses on intra group transactions and are presented to the extent possible, in the same manner as the Company's separate financial statements.

(b) The excess/shortfall of cost to the company of its investments in the subsidiary companies , over the net assets at the time of acquisition in the subsidiaries as on the date of investment is recognised in the financial statements as goodwill/capital reserve as the case may be.

(c) The subsidiary companies considered in the financial statements are as follows

Name	Country of Incorporation	% of Voting Power as on 31.03.2014
Megha Technical & Engineers Private Limited (MTEPL)	India	100.00
Star Cement Meghalaya Limited (SCML)	India	87.49
Meghalaya Power Limited (MPL)	India	51.00
NE Hills Hydro Limited (NEHL)	India	100.00

(d) The parent and the subsidiaries provide depreciation on Written Down Value (WDV) method except the Power Division of MTEPL, where depreciation is provided on Straight-Line Method (SLM) at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Except this, the parent and subsidiaries have adopted uniform accounting policies for like transactions and are presented, to the extent possible, in the same manner as the company's separate financial statements.

(e) In terms of Accounting Standard-21 notified under Companies (Accounting Standards) Rules, 2006 Minority interest has been computed in respect of non–fully owned subsidiaries and adjusted against the consolidated income of the group in order to arrive at the net income attributable to shareholders of the company

(f) Reserves shown in the Consolidated Balance Sheet represent the Group's share in the respective reserves of the Group Companies. Retained earnings comprise General Reserve and Profit and Loss Account.

1. Significant Accounting Policies

1.1 Basis of Preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply with all material aspects with the Accounting Standards notified under the Companies (Accounting Standards) Rules 2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular No.15/2013 dated 13th September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act,2013.The financial statements are prepared under the historical cost convention on accrual basis and on the basis of going concern.

The accounting policies have been consistently applied by the company and except for the changes in accounting policy discussed below, are consistent with those used in previous year.

1.2 Use of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

1.3 Fixed Assets

Fixed Assets are stated at their cost of acquisition, installation or construction (net of Cenvat Credit and other recoverable, wherever applicable) less accumulated depreciation, amortization and impairment losses, except freehold land which is carried at cost. Cost comprises the purchase price, installation and attributable cost of bringing the asset to working condition for its intended use. The Company and its subsidiaries Star Cement Meghalaya Limited and Meghalaya power Limited has adopted the provisions of para 46A of AS-11 "The Effects of Changes in Foreign Exchange Rates", accordingly exchange differences arising on restatement/settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets.

1.4 Capital Work In Progress

Capital work in progress is carried at cost comprising direct cost and pre-operative expenses during construction period to be allocated to the fixed assets on the completion of construction.

1.5 Expenditure during construction period

In case of new projects and substantial expansion of existing factories, expenditure incurred including trial production expenses net of revenue earned, and attributable interest and financing costs, prior to commencement of commercial production/ completion of project are capitalized.

1.6 Depreciation

Depreciation on Fixed Assets is provided on Written Down Value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Continuous process plants are identified based on a technical assessment and depreciated at the specified rate as per Schedule XIV to the Companies Act, 1956. Depreciation on additions to fixed assets is provided on a pro-rata basis from the date of put to use, and in the case of a new project, the same is provide on a pro-rata basis from the date of commencement of commercial production. Depreciation on assets sold, discarded, demolished or scrapped, is provided up to the date on which the said asset is sold, discarded, demolished or scrapped. Depreciation on amount capitalized pursuant to para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates' is provided over the balance useful life of depreciable capital assets. In respect of an asset for which impairment loss is recognized, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

1.7 Investments

Current Investments are stated at lower of cost and market value. Long-term investments are stated at cost after deducting provisions for permanent diminution in the value, if any.

1.8 Inventories

Raw Materials, stores and spares are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products, in which they will be used, are expected to be sold at or above cost. Work in progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials & labour and a part of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost of Inventories is computed on weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

1.9 Retirement Benefits

(i) Defined Contribution Plan

Employees benefits in the form of provident fund, ESIC and other labour welfare fund are considered as defined contribution plan and the contributions are charged to the Statement of Profit & Loss for the year when the contributions to the respective funds are due.

(ii) Defined Benefit Plan

Retirement benefits in the form of gratuity is considered as defined benefits obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method as at the date of the Balance Sheet.

(iii) Other Long-term benefits

Long-term compensated absences are provided for on the actuarial valuation, using the projected unit credit method as at the date of the Balance Sheet.

Actuarial gain/losses, if any, are recognized in the Statement of Profit & Loss.

1.10 Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset is capitalized as part of cost of such asset till such time the asset is ready for its intended use. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use. All other borrowing costs are recognized as expense in the period in which they are incurred. Borrowing cost includes exchange differences arising from relevant foreign currency borrowings to the extent that they are regarded as adjustment to the interest cost.

1.11 Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value by using weighted average cost of capital. A previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

1.12 Foreign Currency Transactions and Balances

Foreign Transactions in foreign currencies entered into by the Company are accounted at the exchanges rates prevailing on the date of the transactions. Exchange differences arising on settlement/restatement of short–term foreign currency monetary assets and liabilities of the Company and its subsidiaries Star Cement Meghalaya Limited and Meghalaya Power Limited are recognized as income or expenses in the Statement of Profit and Loss. All long term foreign currency monetary items consisting of liabilities which relate to acquisition of depreciable capital assets at the end of the period/year are restated at the rate prevailing at the Balance Sheet date. The exchange difference arising as a result is added to or deducted from the cost of the assets in accordance with para 46A of Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates' in the case of the company and its subsidiaries Star Cement Meghalaya Limited and Meghalaya Power Limited. Profit/Loss arising out of cancellation of forward contracts is taken to revenue in the year of cancellation.

1.13 Revenue Recognition

Items of Income and expenditure are recognized on accrual basis except stated otherwise. Sales are recorded on dispatch of goods to the customer. Sales include Excise Duty and other taxes are net of trade discounts, rebates, and returns. Interest income is recognized on time proportion basis.

1.14 Intangible Assets

Intangible assets are recognized when it is probable that the future economic benefit that are attributable to the assets will flow to the Company and the cost of the assets can be measured reliably. The depreciable amount of an intangible asset is allocated over its estimated useful life. Expenditure on purchased/developed software are written off over a period of three years

1.15 Taxes on Income

Tax expense comprises of current & deferred tax. Provision for the current tax is made on the basis of taxable income for the current accounting year in accordance with the provisions of Income Tax Act, 1961. The deferred tax in respect of timing differences which originate during the tax holiday period and is likely to reverse during the tax holiday period, is not recognized to the extent income is subject to deduction during the tax holiday period as per the requirements of the Income Tax Act, 1961. The deferred tax asset is recognized and carried forward only to the extent that there is reasonable certainty that the assets will be realized in future. Deferred tax assets/liabilities are reviewed as at Balance Sheet date based on developments during the year and available case laws to reassess realization/liabilities.

Minimum Alternate Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. The company reviews the carrying amount of MAT at each Balance Sheet date and adjusts MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the company will pay normal income tax during the specified period.

1.16 Government Grants and Subsidies

Government grants/subsidies are recognized when there is reasonable certainty that the same will be received. Revenue grants in the nature of recoupment/reimbursement of any particular item of expenses are recognized in the Statement of Profit and Loss as deduction from related item of expenditure. Capital grants/subsidies are reduced from cost of respective fixed assets where it relates to specific fixed assets. Other grants/subsidies are credited to the capital reserve.

1.17 Research and Development Expenditure

Revenue expenditure is charged to the Statement of Profit & Loss and capital expenditure is added to the cost of fixed assets in the year in which they are incurred.

1.18 Provisions and Contingencies

A Provision is recognized for a present obligation as a result of past events if it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are determined based on best estimates of the amount required to settle the obligation at the Balance Sheet date. Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

1.19 Segment Reporting

The Company has identified that its business segments are the primary segments. The Company's business are organized and managed separately accordingly to the nature of products/services, with each segment representing a strategic business unit that offers different product/services.

1.20 Cash & Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand, demand deposits with banks and other short-term highly liquid investments/deposits with an original maturity of three months or less.

1.21 Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

NOTE 2.1 Share Capital

(₹ in Lacs)

	31.03.14	31.03.13
Authorised Capital	6000.00	6000.00
6,00,00,000 (6,00,00,000 as at 31.03.13) Equity Shares of ₹10/- each fully paid		
Issued, Subscribed & fully Paid -up shares		
4,19,21,392 (4,19,21,392 as at 31.03.13) Equity Shares of ₹10/- each fully paid	4192.14	4192.14

a Terms/Rights attached to equity shares

The company has only one class of equity shares having par value of ₹10 per share. Each holder of Equity shares is entitlled to one vote per share. The Company declares and pays dividend in Indian rupees.The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except in case of interim dividend.

In the event of liquidation of the company, the holders of the equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

b Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares	No of Shares	No of Shares
At the beginning of the year	41921392	41921392
Issued during the year	-	-
Outstanding at the end of the year	41921392	41921392

c Shares held by Holding Company

	No of Shares	No of Shares
Star Ferro and Cement Limited	29547500	29547500

d Details of Shareholders holding more than 5% of Equity Share capital

Name of the Shareholders	No of Shares % of holding	No of Shares % of holding
Star Ferro and Cement Limited	29547500	29547500
	70.48%	70.48%
Sajjan Bhajanka	3562500	3162500
	8.50%	8.50%
Rajendra Chamaria	3163742	3163742
	7.50%	7.50%

As per records of the company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represent both legal and beneficial ownership

NOTE 2.2 Reserves & Surplus

(₹ in Lacs)

	31.03.14	31.03.13
Capital Reserves		
Balance as per last Account	23,826.40	2,620.93
Addition/(Deduction) during the year	7.30	21,205.47
	23,833.70	23,826.40
General Reserve		
Balance as per last Account	3,700.00	3,700.00
Addition during the year	120.00	-
	3,820.00	3,700.00
Surplus as per Profit & Loss Account		
Balance as per last Account	54,209.46	49,918.54
Profit/(loss) for the year	(419.88)	4,290.92
Amount available for appropriation	53,789.58	54,209.46
Less: Appropriations		
Transfer to General Reserve	(120.00)	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.2 Reserves & Surplus *(Contd.)*

(₹ in Lacs)

	31.03.14	31.03.13
Interim Dividend Paid	(1,048.03)	-
Corporate Dividend Tax	(178.11)	-
Total Appropriation	**(1,346.15)**	-
Net Surplus in the statement of profit and loss	52443.43	54209.46
Total Reserves and Surplus	80097.13	81735.86

NOTE 2.3 Long Term Borrowings

(₹ in Lacs)

	31.03.14	31.03.13
Term Loans		
-Rupee Loans from Banks (Secured)	49,527.50	49,382.23
- Foreign Currency Loan from Banks (Secured)	28,805.49	26,195.98
Other Loans & Advances		
-Buyers Credit from banks on capital account (Secured)	521.47	6,957.16
-Hire Purchase Finance from banks (Secured)	564.59	142.31
	79,419.05	82,677.68
Less: Current Maturities of long term borrowings	(14,559.38)	(7,223.09)
	64,859.67	75,454.59

1. Rupee Term Loan of ₹196.43 lacs from a bank is repayable on quarter ending June 2014. The Loan is secured by first charge on fixed assets (except specifically charged assets) and pari passu second charge on current assets of the Company's Cement plant at Lumshnong, Meghalaya.

2. Rupee Term Loan of ₹5,685.58 lacs from a bank is repayable in further 13 equal quarterly instalments ending on June 2017. The Loan is secured by pari passu first charge on current assets and pari passu first charge on fixed assets of the Company's Cement plant at Lumshnong, Meghalaya.

3. Rupee Term Loans of ₹12,500 lacs and Foreign Currency Loan of ₹4,154.73 lacs from banks are repayable in further 23 unequal quarterly instalments ending on December 2019. The loans are secured by pari passu first charge on fixed assets and pari passu second charge on current assets of the Company's Cement grinding unit at Guwahati, Assam.

4. Rupee Term Loan of ₹28,616.25 lacs and foreign currency loan of ₹10,267.32 lacs from banks are repayble in further 23 unequal quarterly installments ending on December 2019. Term Loans are secured by first charge on the fixed assets of the subsidiary's Cement clinker plant at Lumshnong, Meghalaya on pari passu basis.

5. Rupee Term Loan of ₹2,529.24 lacs and foreign currency loan of ₹14,383.44 lacs from a bank are repayble in 28 unequal quarterly installments commenced from March 2013. These Term Loans are secured by first charge on the fixed assets of the subsidiary's power plants at Lumshnong, Meghalaya on pari-passu basis.

6. Buyers credit of ₹521.47 lacs from banks have been availed against letter of credit (sub-limit to Term Loans) issued by banks which are secured by first charge on fixed assets of the subsidiary's Cement clinker plant at Lumshnong, Meghalaya.

7. Hire Purchase Finance of ₹53.38 lacs is secured by hypothecation of company's vehicles and is repayable within three to four years having varying date of payment.

8. Hire Purchase Finance of ₹511.21 lacs is secured by hypothecation of susidiary's vehicles/equipments and is repayable within three to four years having varying date of payment.

9. Term Loans of ₹39,449.42 Lacs from Banks have been guaranteed by some of the Directors of the Company.

10. The Company does not have any continuing defaults in repayment of loans and interest as at reporting period.

NOTE 2.4 Deferred Tax Liabilities (Net)

(₹ in Lacs)

	31.03.14	31.03.13
Deferred Tax liability		
-Fixed assets	449.29	944.30
Gross deferred tax liability	449.29	944.30
Deferred Tax Assets		
-Gratuity & Leave encashment	22.94	1.05
-Business Loss Carried forward	-	267.42
-Trade receivable	56.92	58.06
-others	-	0.73
Gross deferred tax asset	79.87	327.25
Net Deffered Tax (Assets)/Liability	**369.42**	**617.04**

NOTE 2.5 Other Long Term Liabilities

(₹ in Lacs)

	31.03.14	31.03.13
Security deposit	5,945.94	5,205.03
Liability for Capital Expenditure	1,335.84	2,218.36
	7,281.79	**7,423.38**

NOTE 2.6 Long Term Provisions

(₹ in Lacs)

	31.03.14	31.03.13
Provisions for employees		
- Leave Encashment	93.22	72.61
- Gratuity	62.55	62.90
	155.78	**135.51**

NOTE 2.7 Short Term Borrowings

(₹ in Lacs)

	31.03.14	31.03.13
Working Capital facilities from Banks		
- Cash Credit (Secured)	10,995.15	2574.17
- Foreign Currency Demand Loan (Secured)	4,504.99	3448.46
	15,500.14	**6,022.63**
Short Term Loan		
- From a Bank (Unsecured)	1,500.00	1500.00
	17,000.14	**7,522.63**
a. The above amount includes		
Secured borrowings	15,500.14	7,522.63
Un Secured borrowings	1,500.00	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.7 Short Term Borrowings *(Contd.)*

b. Working Capital facilities of ₹3,517.26 from banks are secured by first pari passu charge on current assets and second pari passu charge on fixed assets of the Company's cement plant at Lumshnong, Meghalaya. The Working capital facilities from banks have also been guaranteed by some of the Directors of the Company.

c. Working capital facilities of ₹4,940.38 from banks are secured by pari passu first charge on current assets and pari passu second charge on fixed assets of the Company's Cement grinding unit at Guwahati, Assam.

d. Working capital facilities of ₹1,792.83 lacs from banks are secured by first charge on current assets and second charge on fixed assets of subsidiary's Cement Grinding unit at Lumshnong, Meghalaya on pari passu basis.

e Working capital facilities of ₹2,985.17 lacs from banks are secured by first charge current assets and second charge on fixed assets of subsidiary's Clinker unit at Lumshnong, Meghalaya on pari passu basis.

f. Cash credit of ₹2,264.50 lacs from a bank is secured by first charge on subsidiary's current assets and second charge on fixed assets of subsidiary's power plants at Lumshnong, Meghalaya.

g. Working Capital facilities of ₹23,450 Lacs from Banks have been guaranteed by some of the Directors of the Company.

NOTE 2.8 Other Current Liabilities

(₹ in Lacs)

	31.03.14	31.03.13
Current Maturities of long term borrowings	14,559.38	7,223.09
Interest accrued but not due on borrowings	68.00	0.72
Other Payables		
-Statutory Liabilities (including excise duty on finished goods ₹218.76 Lacs, ₹60.77 Lacs as at 31.03.13)	3,559.54	1,997.06
-Creditors- Micro, Small & Medium Enterprises (refer Note 2.25)	-	-
-Creditors for Capital goods	136.81	240.28
-Advances from customer	978.24	393.92
-Salary and Bonus to employees	363.92	194.91
-Other Liabilities	6,216.84	2,896.69
	25,882.72	12,946.67

NOTE 2.9 Short Term Provisions

(₹ in Lacs)

	31.03.14	31.03.13
Provisions for Employee Benefits		
-Gratuity	14.24	-
-Leave Encashment	16.52	13.69
	30.75	13.69

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31^{ST} MARCH, 2014 (contd.)

NOTE 2.10 Fixed Assets

(₹ in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.13	Additions	Deduction/ Adjustment	Total as on 31.03.14	Upto 31.03.13	For the year	Deduction/ Adjustment	Total as on 31.03.14	As on 31.03.14	As on 31.03.13
A. TANGIBLE ASSETS										
Land & Site Development	5,883.47	1,116.90	-	7,000.37	-	-	-	-	7,000.37	5,883.47
Factory Building	13,918.93	4,283.93	-	18,202.86	2,979.07	1,105.07	-	4,084.14	14,118.72	10,939.86
Non Factory Building	4,746.83	474.62	-	5,221.45	759.11	200.21	-	959.32	4,262.13	3,987.72
Plant, Machinery & Equipments	104,169.17	9,669.16	114.84	113,723.49	13,921.09	13,537.09	70.98	27,387.20	86,336.29	90,248.08
Furniture & Fixtures	578.28	73.36	1.80	649.83	301.34	65.94	1.28	365.99	283.84	276.94
Office Equipments	409.80	60.07	3.84	466.03	165.40	38.69	2.04	202.05	263.98	244.39
Computers	485.71	107.10	0.12	592.69	378.14	65.89	0.10	443.93	148.76	107.58
Vehicles	2,437.09	1,087.87	89.02	3,435.93	1,425.87	571.74	60.18	1,937.44	1,498.50	1,011.22
Tools & Tackles	1,021.40	86.40	-	1,107.80	711.37	76.62	-	787.99	319.81	310.03
Total - A	**133,650.67**	**16,959.40**	**209.63**	**150,400.45**	**20,641.39**	**15,661.26**	**134.59**	**36,168.06**	**114,232.38**	**113,009.29**
Previous Year's figures	40,239.23	93,603.62	192.18	133,650.67	15,634.07	5,080.45	73.13	20,641.39	113,009.29	24,605.16
B. INTANGIBLE ASSETS										
Computer Software	122.94	21.69	-	**144.64**	92.83	21.92	-	114.75	**29.89**	30.11
Previous Year's figures	86.69	38.70	2.45	122.94	81.46	13.82	2.45	92.83	**30.11**	5.23

1. Depreciation for the year includes ₹Nil, [Previous year - ₹616.81 Lacs], capitalised as Pre-operative expenditure by the company and its subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.11 Non Current Investments

(₹ in Lacs)

	31.03.14	31.03.13
Trade Investments (valued at cost unless stated otherwise)		
Investment in Unquoted Equity Instruments		
Ribhoi Engineering Company Private Limited	2.70	2.70
27,000 (27,000 as at 31.03.13) Equity Shares of ₹10/- each fully paid up		
Adonis Vyapaar Private Limited	31.42	31.42
3,23,190 (3,23,190 as at 31.03.13) Equity Share of ₹10 each fully paid up		
Apanapan Viniyog Private Limited	31.42	31.42
3,23,190 (3,23,190 as at 31.03.13) Equity Share of ₹10 each fully paid up		
Ara Suppliers Private Limited	31.36	31.36
3,23,190 (3,23,190 as at 31.03.13) Equity Share of ₹10 each fully paid up		
Arham Sales Private Limited	31.42	31.42
3,23,190 (3,23,190 as at 31.03.13) Equity Share of ₹10 each fully paid up		
Non Trade Investments (valued at cost unless stated otherwise)		
Investment in Quoted Equity Instruments		
Reliance Power Limited	24.54	24.54
8,743 (8,743 as at 31.03.13) Equity Shares of ₹10/- each fully paid up		
	152.86	**152.86**
Aggregate amount of Quoted investment (market Value ₹6.15 lacs as on 31.03.14)	24.54	24.54
Aggregate amount of Unquoted investments	128.32	128.32

NOTE 2.12 Long Term Loans and Advances

(₹ in Lacs)

	31.03.14	31.03.13
Capital Advances		
Secured, Considered Good	8.00	272.82
Unsecured, Considered Good	4,042.37	3,926.75
	4,050.37	**4,199.57**
Security Deposits		
Unsecured, Considered Good	233.70	183.66
	233.70	**183.66**
Other Loans and advances		
Unsecured, Considered Good		
-Balances Receivables with Excise Departments	1,385.55	-
-Subsidies Receivable from Central/State Governments	21,219.50	22,722.63
	22,605.05	**22,722.63**
	26,889.12	**27,105.86**

NOTE 2.13 Other Non Current Assets

(₹ in Lacs)

	31.03.14	31.03.13
Others		
Balance with banks held as margin money deposits with original maturity of more than 12 months	51.03	-
	51.03	-

NOTE 2.14 Inventories

(₹ in Lacs)

	31.03.14	31.03.13
Current Assets		
Raw Materials [Including in transit-₹Nil, ₹48.76 lacs as on 31.03.13]	1,790.96	1,327.89
Work - In - Process	289.92	114.42

NOTE 2.14 Inventories *(Contd.)*

(₹ in Lacs)

	31.03.14	31.03.13
Finished Goods [including in transit-₹559.17 Lacs, As at 31.03.13 ₹208.03 lacs] and Power inventory (with MeSCL) ₹687.15, Previous Year ₹Nil)	3,863.09	2,436.35
Fuels, packing materials, etc.	6,258.92	3,097.22
Stores & Spares parts	3,344.15	5,200.57
	15,547.04	**12,176.44**

NOTE 2.15 Trade Receivables

(₹ in Lacs)

	31.03.14	31.03.13
Secured Considered Good		
Over Six months	101.65	27.15
Other debts	2,424.21	1,585.03
	2,525.85	**1,612.18**
Unsecured		
Over Six Months		
I Considered Good	119.98	52.77
Considered Doubtful	180.00	178.94
Less: Provision for Doubtful Debts	(180.00)	(178.94)
	119.98	52.77
II Claims due from Central Government - Considered Good	1,301.63	5,145.64
Other Debts		
I Considered Good	6,670.83	1,458.64
II Claims due from Central Government - Considered Good	1,883.00	4.11
	8,553.83	1,462.75
	12,501.29	**8,273.34**

Provision for doubtful debts

Periodically, the Company and its Subsidiaries evaluates all customer dues for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could effect the customers's ability to settle. The Company and its Subsidiaries normally provides for debtor dues oustanding for six months or longer from the invoice date, at at the Balance Sheet date. The Company and its subsidaries pursues the recovery of the dues, in part or full.

NOTE 2.16 Cash & Cash Equivalents

(₹ in Lacs)

	31.03.14	31.03.13
Cash on Hand	54.13	22.83
Cheques In Hand	419.24	637.07
Balance with Banks		
- In current accounts	430.79	1,663.48
- In Fixed Deposit accounts with original maturity of upto 3 months	0.13	150.51
Balance with banks held as margin money deposits with original maturity of more than 3 months and upto 12 months.	236.97	26.16
	1,141.25	**2,500.05**

NOTE 2.17 Short Term Loans and Advances

(₹ in Lacs)

	31.03.14	31.03.13
Loans and advances to related parties		
Unsecured, Considered Good	35.00	595.00
	35.00	**595.00**
Others		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.17 Short Term Loans and Advances *(Contd.)*

(₹ in Lacs)

	31.03.14	31.03.13
Unsecured, Considered Good		
-Advances to suppliers	846.92	925.75
-Loan and advances to employees	70.65	72.22
-Balances with/Receivables from Government authorities	6,744.68	2,770.86
-Subsidies Receivable from Central/State Governments	10,082.80	4,011.02
-Advances for Services & Expenses	2,108.57	2,110.98
-Advance Income Tax including MAT credit entitlement, net of provisions	10,108.46	9,901.55
-Prepaid expenses	343.78	388.55
-Intercorporate Deposits	800.00	800.00
	31,105.86	20,980.92

NOTE 2.18 Revenue from Operations

(₹ in Lacs)

	2013-14	2012-13
Sale of Products	102,553.63	62213.85
Add: Captive Consumption	186.71	107.13
	102740.34	62320.98
Other Operating Income		
Shortage Recovery of Cement & Clinker	75.44	193.50
Sale of Fly ash	4.03	-
Bad Debts Recovered	2.80	3.03
Sale of Scrap	111.25	25.82
Revenue from operation (gross)	102,933.86	62,543.34

(₹ in Lacs)

	2013-14	2012-13
Details of Products Sold		
Cement	97452.59	62,139.67
Clinker	5,101.04	74.19
	102,553.63	62,213.85

NOTE 2.19 Other Income

(₹ in Lacs)

	2013-14	2012-13
Interest Income on		
-Bank deposits	13.30	6.87
-Loans	137.09	135.10
-others	8.85	7.62
Other Non Operating Income	102.76	40.98
	262.00	190.57

NOTE 2.20 Cost of Materials Consumed

(₹ in Lacs)

	2013-14	2012-13
Inventory at the beginning of the year	1,327.88	667.89
Add: Purchases	17,074.23	10118.72
	18402.11	10786.61
Less :Inventory at the end of the year	1,790.96	1327.89
Cost of Materials Consumed	**16,611.15**	**9,458.71**

(₹ in Lacs)

	2013-14	2012-13
Details of Raw materials Consumed		
Limestone	4552.73	1656.51
Shale	190.50	128.65
Iron Mill Scale	594.23	519.48
Gypsum	483.10	517.92
Fly ash	6272.41	6466.71
Clinker	3974.88	131.47
Iron Ore (Fine)	492.39	17.29
Others	50.90	21.34
	16,611.15	**9,459.36**

NOTE 2.21 (Increase)/Decrease in Inventories

(₹ in Lacs)

	2013-14	2012-13
Work in Process		
Opening Stock	114.42	21.86
Trial Run Production	-	101.87
Closing Stock	289.92	114.42
	175.50	**(9.31)**
Finished Goods		
Opening Stock	2,436.35	417.78
Trial Run Production	-	77.95
Closing Stock	3,863.09	2436.35
	1426.74	**1940.62**
(Increase)/Decrease	**(1602.24)**	**(1931.31)**

(₹ in Lacs)

	2013-14	2012-13
Details of Finished goods		
Cement	1899.40	460.45
Power	687.15	-
Clinker	1276.54	1,975.90
	3863.09	**2436.35**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.22 Employee Benefit Expenses

(₹ in Lacs)

	2013-14	2012-13
Salaries & Wages	6,868.52	3,699.95
Contribution to Provident Fund	193.19	110.01
Welfare Expenses	279.21	151.50
	7,340.92	3,961.47

NOTE 2.23 Finance Costs

(₹ in Lacs)

	2013-14	2012-13
Interest Expense		
-On Fixed Loans	6,998.54	1,599.35
- Others	1,053.66	624.41
Exchange Fluctuation (Gain)/loss to the extent considered as an adjustment to borrowing costs	174.16	317.40
Other finance Costs	117.83	141.20
	8344.19	2682.36

NOTE 2.24 Other Expenses

(₹ in Lacs)

	2013-14	2012-13
Consumption of Stores & Spares	1255.94	829.14
Packing Materials	3168.51	1,799.75
Power & Fuel	16187.17	12,336.23
Repairs & Maintenance		
- Building	491.60	230.73
- Plant & Machinery	1372.00	560.72
- Others	230.94	127.23
Heavy Vehicle/Equipment Running Expenses	1159.67	452.62
Excise duty variation on opening/closing stock	97.01	193.16
Travelling and Conveyance	671.69	333.31
Insurance(Net)	279.54	150.98
Rent, Rates & Taxes	1179.54	696.43
Research & Development Expenses	60.03	37.10
Charity & Donation	341.85	341.48
Miscellaneous Expenses	1699.46	984.62
Advertisement & Publicity	2242.34	820.80
Outward Freight Charges (Net)	17876.76	11,410.46
Sales Promotion Expenses	2085.45	783.41
Commission, Discount & Incentives on Sale	6661.14	4,063.00
	57060.63	36,151.15

NOTE 2.25

In the opinion of the Management and to the best of their knowledge and belief the value on realization of loans, advances and other current assets in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet.

NOTE 2.26

There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small and Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made. The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of the information available with the company.

NOTE 2.27

Against company's and its subsidiary (Megha Technical & Engineers Private Limited) claim for refund of differential Excise Duty, Hon'ble High Court at Guwahati (Shillong Bench) vide its order dated 12th September, 2012, has directed the Excise Department to release 50% of the disputed amount against furnishing of solvent surety in line with the Interim Order dated 13th January, 2012 passed by Hon'ble Supreme Court in case of "VVF Ltd and others Based on the said judgment of the Hon'ble High Court, in favour of the company and its subsidiary Megha Technical & Engineers Private Limited and legal opinion obtained by the company and its subsidiary Megha Technical & Engineers Private Limited, the differential excise duty refund of ₹3684.50 lacs have been recognized as revenue in the book of accounts.

NOTE 2.28 Capital and Other Commitments (to the extent not provided for)

(₹ in Lacs)

Name of the Party	As at 31.3.2014	As at 31.3.2013
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	166.92	899.12

NOTE 2.29 Contingent Liabilities

(₹ in Lacs)

	As at 31.3.2014	As at 31.3.2013
Claims against the company not acknowledged as debts – Excise/VAT/Income Tax Matters/Royalty etc	3198.07	3,399.15
Guarantee provided to banks on behalf of Contractors	379.18	2,477.30
Export obligation under EPCG scheme	1,001.04	1,373.82
Bills of exchange discounted with banks	-	133.10
Bank Guarantees issued by banks	4,212.11	587.36
Letter of Credits issued by banks	82.00	262.64
Solvent surety furnished to Excise Department against differential Excise Duty refund	1881.30	-

NOTE 2.30 Borrowing Cost Capitalized

(₹ in Lacs)

Name of the Party	2013-14	2012-13
Borrowing Cost Capitalized	1105.40	6,972.96

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.31 Unhedged Foreign Currency Exposure

	As on 31.03.14			As on 31.03.13		
	Foreign Currency	In Million	₹ in Lacs	Foreign Currency	In Million	₹ in Lacs
FCNRB Term Loan	USD	3.86	2,318.40	USD	4.99	2,711.51
FCNRB Demand Loan	USD	5.00	3,004.99	USD	5.00	2,719.47
ECB Term Loan	USD	197.83	26,487.08	USD	203.33	23,484.47
Buyers Credit	EURO	0.13	11.07	EURO	49.85	5,697.51
Buyers Credit	USD	8.17	488.43	USD	22.83	1,241.54
Buyers Credit	GBP	0.22	21.97	GBP	0.22	18.11

NOTE 2.32 Related party Disclosures

A	Names of the related parties where control exists	Nature of relationship
	Star Ferro and Cement Limited (SFCL)	Holding Company
B	Others-with whom transactions have taken place during the year	
I	Names of other related parties	Nature of relationship
	Century Plyboards (India) Limited (CPIL)	Associate
	Star India Cement Limited (SICL)	Associate
II	Key Management Personnel	
	Names of other related parties	Nature of relationship
	Mr. Sajjan Bhajanka	Chairman & Managing Director
	Mr. Rajendra Chamaria	Vice Chairman & Managing Director
	Mr. Sanjay Agarwal	Joint Managing Director
	Mr. Pankaj Kejriwal	Managing Director in subsidiary
	Mr. Prem Kumar Bhajanka	Managing Director in subsidiary
	Mr Sanjay Kumar Agarwal	Director in Subsidiary
	Mr. Atul Rasiklal Desai	Chief Operating Officer (upto 04.03.2013)
	Mr. Sanjay Kr. Gupta	Deputy CEO (w.e.f. 01.10.2013)
III	Relatives of Key Management Personnel	CFO & President (upto 30.09.2013)
	Names of the related parties	Nature of relationship
	Mrs. Renu Chamaria	Wife of Mr. Rajendra Chamaria
	Mr. Rahul Chamaria	Son of Mr. Rajendra Chamaria
	Mr. Sachin Chamaria	Son of Mr. Rajendra Chamaria

(₹ in Lacs)

Sl No.	Types of Transactions	Holding Company		Associates		Key Management Personnel	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
1	Purchase Transactions						
	SFCL	29.39	22.67	-	-	-	-
	CPIL	-	-	51.89	24.87	-	-
2	Sale Transactions						
	SFCL	9.75	3.85	-	-	-	-
	CPIL	-	-	11.84	9.82	-	-
3	Purchase of Capital Goods						
	SFCL	-	-	-	-	-	-
	CPIL	-	-	-	0.42	-	-
4	Loan Taken						
	SFCL	-	200.00	-	-	-	-
	CPIL	-	-	2400.00	-	-	-

(₹ in Lacs)

Sl No.	Types of Transactions	Holding Company		Associates		Key Management Personnel	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
5	Loan Taken repaid	-	-	-	-	-	-
	SFCL	-	200.00	-	-	-	-
	CPIL	-	-	2400.00	-	-	-
6	Loan Given						
	SFCL	649.00	1,660.00	-	-	-	-
	CPIL	-	-	-	600.00	-	-
7	Loan given repaid						
	SFCL	1,209.00	1,100.00	-	600.00	-	-
8	Interest paid						
	SFCL	-	4.39	-	-	-	-
	CPIL	-	-	20.94	-	-	-
9	Interest received						
	SFCL	22.56	20.89	-	-	-	-
	CPIL	-	-	-	0.87	-	-
10	Miscellaneous Income						
	SFCL	5.96	-	-	-	-	-
10	Remuneration Paid						
	Mr. Sajjan Bhajanka	-	-	-	-	48.00	36.00
	Mr. Sanjay Agarwal	-	-	-	-	48.00	36.00
	Mr. Rajendra Chamaria	-	-	-	-	48.00	66.00
	Mr. Pankaj Kejriwal	-	-	-	-	42.00	42.00
	Mr. Prem Kr. Bhajanka	-	-	-	-	43.00	36.00
	Mr. Atul Rasiklal Desai	-	-	-	-	-	84.03
	Mr. Sanjay Kr. Gupta	-	-	-	-	50.04	35.80
	Mr. Rahul Chamaria	-	-	-	-	30.00	21.00
	Mr. Sachin Chamaria	-	-	-	-	24.00	6.00
11	Dividend paid						
	SFCL	738.69	-	-	-	-	-
	Mr. Sajjan Bhajanka	-	-	-	-	89.06	-
	Mr. Rajendra Chamaria	-	-	-	-	79.09	-
	Mrs. Renu Chamaria	-	-	-	-	8.17	-
	Mr. Rahul Chamaria	-	-	-	-	15.50	-
	Mr. Sachin Chamaria	-	-	-	-	15.00	-
	Others	-	-	-	-	61.41	-
12	Balance Outstanding						
	Receivable/(payable)						
	CPIL	-	-	-	0.09	-	-
A	Share Capital						
	SFCL	7565.64	7565.64	-	-	-	-
B	Loans & Advances paid						
	SFCL	-	560.00	-	-	-	-
	SICL	-	-	35.00	35.00	-	-
C	Guarantees Obtained						
	Mr. Sajjan Bhajanka	-	-	-	-	55,096.82	43,604.85
	Mr. Rajendra Chamaria	-	-	-	-	38,136.74	26,358.75
	Mr. Sanjay Agarwal	-	-	-	-	38,136.74	26,358.75
	Mr. Prem Kumar Bhajanka	-	-	-	-	13,443.43	13,715.38

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.33 Segment Reporting

(₹ in Lacs)

SL. No.		2013-14				2012-13			
		Power	Cement	Others	Total	Power	Cement	Others	Total
A	Revenue (Gross)								
	External Sales	63.97	1,02,676.37	-	1,02,740.34	68.42	62,252.57	-	62,320.98
	Inter Segment Sales	8,510.94	33,232.79	-	41,743.73	4,263.72	10,988.83	-	15,252.55
	Total Revenue (Gross)	8,574.91	1,35,909.16	-	1,44,484.07	4,332.14	73,241.14	-	77,573.54
B	Results								
	Segment Result	1,230.81	6,819.17	-	8,049.98	532.36	7,110.93	-	7643.29
	Unallocated Income/ Expenses (Net)	-	-	-	(241.91)	-	-	-	14.17
	Interest & Finance Charges (Net)	-	-	-	(8,184.94)	-	-	-	(2,769.59)
	Operating Profit			-	(376.87)			-	4887.87
	Exceptional Income			-	(102.39)			-	9.80
	Provision for Taxation	-	-	-	(87.87)	-	-	-	(1417.72)
	Mat Credit Entitlement	-	-	-	-	-	-	-	1417.72
	Mat Credit Entitlement reversal	-	-	-	(26.61)	-	-	-	-
	Income Tax for earlier year	-	-	-	0.40	-	-	-	-
	Deferred Tax (Net)	-	-	-	247.62	-	-	-	(578.68)
	Profit after Tax (before minority interest)	-	-	-	(345.73)	-	-	-	4318.99
	Other Information								
A	Total Assets								
	Segment Assets	30,447.55	177,024.75	7.15	2,07,479.44	30,751.12	1,59,992.27	7.06	1,90,750.45
	Unallocated Corporate/ Other Assets			4,129.53	4,129.53	-	-	6,999.77	6,999.77
B	Total Liabilities								
	Segment Liabilities	21,390.57	99,235.19	0.15	1,20,625.92	19,811.60	84,697.90	0.06	1,04,509.56
	Unallocated Corporate/ Other Liabilities			2,187.55	2,187.55	-	-	2,872.21	2,872.21
C	Capital Expenditure	2,605.51	11,219.86	0.20	13,825.57	5,565.01	26,669.98	0.54	32,235.53
D	Depreciation	2,804.09	12,879.09	-	15,683.18	638.35	3,839.11	-	4,477.46

*External Sales include captive consumption

NOTE 2.34 Employee Defined Benefits

a) Defined Contribution Plans –The Company has recognized an expense of ₹193.19 lacs (Previous year ₹110.01 lacs) towards the defined contribution plans.

b) Define Benefit Plans - The Company has a defined benefit gratuity plan. Every employee who has completed five years or more service is entitled to Gratuity on terms not less than the provisions of The Payment of Gratuity Act, 1972. The scheme is funded with an insurance company. The following tables summarise the components of net benefit expenses recognised in the Profit & Loss Account and the funded status and amounts recognised in the balance Sheet for the Gratuity.

c) Under leave encashment scheme, the company allows its employees to encash accumulated leave over and above thirty days at any time during the year. The scheme is not funded by the company.

(d) Defined Benefit Plans – As per Actuarial Valuation as at 31st March, 2014.

(₹ in Lacs)

	2013-14		2012-13	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
I Expense recognized in the Statement of Profit and Loss				
1. Current Service Cost	41.36	26.29	31.38	4.32
2. Interest Cost	16.62	8.82	11.76	7.98
3. Employee Contribution	-	-	-	-
4. Expected Return on Plan Assets	(10.49)	-	(8.89)	-
5. Actuarial (Gains)/Losses	10.18	36.85	(11.01)	21.76
6. Past Service Cost	-	-	-	-
7. Settlement Cost	-	-	-	-
8. Losses/(gains) on acquisition/divesture	(9.54)	-	6.21	-
9. Total Expense	48.14	71.96	29.45	34.06
II Net Asset/(Liability) recognized in the Balance Sheet				
1. Present Value of Defined Benefit Obligation	210.67	109.73	158.83	86.30
2. Fair Value of Plan Assets	137.11	-	95.93	-
3. Funded Status [Surplus/(Deficit)]	(73.56)	(109.73)	(62.90)	(86.30)
4. Net Asset/(Liability)	(73.56)	(109.73)	(62.90)	(86.30)
III Change in Obligation during the Year				
1. Present value of Defined Benefit Obligation at the beginning of the year	158.82	86.30	135.15	90.93
2. Current Service Cost	41.36	26.29	31.38	4.32
3. Interest Cost	16.62	8.82	11.76	7.98
4. Settlement Cost	-	-	-	-
5. Past Service Cost	-	-	-	-
6. Employee Contribution	-	-	-	-
7. Liabilities assumed on acquisition/(settled on divesture)	-	-	(1.52)	-
8. Actuarial (Gains)/Losses	10.18	36.85	(11.01)	21.76
9. Benefits Payments	(16.32)	(48.52)	(6.93)	(38.69)
10. Present Value of Defined Benefit Obligation at the end of the year	210.67	109.74	158.82	86.30
IV Change in assets during the Year				
1. Plan Assets at the beginning of the year	95.93	-	101.72	-
2. Assets acquired on amalgamation in previous year	-	-	-	-
3. Settlements	-	-	-	-
4. Expected return on plan assets	10.49	-	8.88	-
5. Contributions by employer	37.46	48.52	-	38.69
6. Actual Benefit Paid	(16.32)	(48.52)	(6.93)	(38.69)
7. Actuarial Gains/(Losses)	9.54	-	(7.74)	-
8. Plan Assets at the end of the year	137.11	-	95.93	-
9. Actual Return on plan assets	15.13	-	-	-
V The major categories of plan assets as a percentage of the fair value of total plan assets				
1. Funded with insurer	100.00%	-	100.00%	-
VI The Principal actuarial assumptions are as follows:	9.00%	-	8.25%	-
Discount rate	8.25%	8.25%	8.25%	8.25%
Expected Return on plan assets	9.00%	-	9.00%	-
Salary Increase	5.00%	5.00%	5.00%	5.00%
Withdrawal rates (Varying between per annum depending upon the duration and age of the employees)	Varying between 8% per anum to 1% per annum depending on duration and age of the employees			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014 (contd.)

NOTE 2.35

During the year ended 31st March, 2014, in line with the Notification dated 29th December, 2011 issued by the Ministry of Corporate Affairs, the Company and its subsidiaries Star Cement Meghalaya Limited and Meghalaya Power Limited have availed the option given in paragraph 46A of the Accounting Standard11 (AS-11) - The Effects of Changes in Foreign Exchange Rates". Accordingly, the Company and its subsidiaries Star Cement Meghalaya Limited and Meghalaya Power Limited have, with effect from 1st April, 2013, depreciated the foreign exchange (gain)/loss arising on revaluation on long term foreign Currency monetary items in so far as they relate to the acquisition of depreciable capital assets over the balance life of such assets. The depreciated portion of net foreign exchange (gain)/loss on such long term foreign currency monetary items for the year ended 31st March, 2014 of the company is ₹18.59 lacs. The unamortized portion carried forward as at 31st March, 2014 is ₹3,756.60 lacs, had the Company and its subsidiaries Star Cement Meghalaya Limited and Meghalaya Power Limited followed the earlier policy of charging the entire amount to the Statement of Profit and Loss, the profit before tax for the year would have been lower by ₹3,756.60 lacs

NOTE 2.36 Earnings Per Share (EPS)

(₹ in Lacs)

	31.03.14	31.03.13
Profit/(Loss) Attributable to Equity Shareholders	(419.88)	4,290.92
Equity Share Capital	4,192.14	4,192.14
Weighted average number of equity shares outstanding for basic EPS (Face value of ₹10 per share)	4,19,21,392	4,19,21,392
Weighted average number of equity shares outstanding for diluted EPS (Face value of ₹10 per share)	4,19,21,392	4,19,21,392
Basic Earnings Per Share (₹)	(1.00)	10.24
Diluted Earnings Per Share (₹)	(1.00)	10.24

NOTE 2.37

Figures have been rounded off to the nearest ₹ in Lakhs.

NOTE 2.38

Previous year figures has been regrouped and reclassified to conform to this year's classification.

In terms of our report of even date

For and on behalf of the Board of Directors

For Kailash B. Goel & Co.
Firm Registration No. 322460E
Chartered Accountants

Sajjan Bhajanka
Chairman & Managing Director

Rajendra Chamaria
Vice Chairman & Managing Director

CA. Arun Kumar Sharma
Partner
Membership No. 057329

Place: Kolkata
17th May, 2014

Sanjay Kr. Gupta
Deputy CEO

Manoj Agarwal
Company Secretary

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Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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